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Application Proof of

CALB Co., Ltd. **中創新航科技股份有限公司**

(the “**Company**”)

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

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CALB Co., Ltd. 中創新航科技股份有限公司

(A joint stock company incorporated in the PRC with limited liability)

[REDACTED]

Number of [REDACTED] in : [REDACTED] H Shares (subject to the the [REDACTED] [REDACTED])
Number of [REDACTED] : [REDACTED] H Shares (subject to adjustment and the [REDACTED])
Number of [REDACTED] : [REDACTED] H Shares (subject to adjustment)
Maximum [REDACTED] : HK\$[REDACTED] per H Share, plus brokerage of 1%, SFC transaction levy of 0.0027%, Hong Kong Stock Exchange trading fee of 0.005% and Financial Reporting Council transaction levy of 0.00015% (payable in full on application in Hong Kong Dollars and subject to refund)

Nominal value : RMB[1.00] per H Share
[REDACTED]

Sole Sponsor, [REDACTED] and [REDACTED]



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The [REDACTED] is expected to be fixed by a [REDACTED] between the [REDACTED] (on behalf of the [REDACTED]) and us on the [REDACTED]. The [REDACTED] is expected to be on or around [REDACTED] (Hong Kong time) and, in any event, not later than [REDACTED] (Hong Kong time). The [REDACTED] will be not more than HK\$[REDACTED] and is currently expected to be not less than HK\$[REDACTED] per [REDACTED]. If, for any reason, the [REDACTED] is not agreed by [REDACTED] (Hong Kong time) between the [REDACTED] (on behalf of the [REDACTED]) and us, the [REDACTED] will not proceed and will lapse.

The [REDACTED], on behalf of the [REDACTED], may, where considered appropriate and with our consent, reduce the number of [REDACTED] and/or the indicative [REDACTED] range below that stated in this document (which is HK\$[REDACTED] to HK\$[REDACTED]) at any time prior to the morning of the last day for lodging applications under the [REDACTED]. In such a case, notices of the reduction in the number of [REDACTED] and/or the indicative [REDACTED] range will be published on the website of our Company at [www.calb-tech.com] and on the website of the Stock Exchange at www.hkexnews.hk as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the [REDACTED]. Further details are set forth in the sections headed “Structure of the [REDACTED]” and “How to Apply for [REDACTED]” in this document.

We are incorporated, and the majority of our businesses are located, in the PRC. Potential investors should be aware of the differences in the legal, economic and financial systems between the PRC and Hong Kong and that there are different risk factors relating to investment in PRC-incorporated businesses. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong and should take into consideration the different market nature of the H Shares. Such differences and risk factors are set out in the sections headed “Risk Factors”, “Appendix IV – Summary of Principal Legal and Regulatory Provisions” and “Appendix V – Summary of the Articles of Association” in this document.

The obligations of the [REDACTED] under the [REDACTED] are subject to termination by the [REDACTED] (on behalf of the [REDACTED]) if certain grounds arise prior to 8:00 a.m. on the [REDACTED]. See the section headed “[REDACTED]” in this document.

The [REDACTED] have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may be offered and sold only [(a) in the United States to “Qualified Institutional Buyer” in reliance on Rule 144A or another exemption from, or in a transaction not subject to, registration under the U.S. Securities Act and (b) outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

[REDACTED]

[REDACTED]

IMPORTANT

[REDACTED]

IMPORTANT

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

CONTENTS

IMPORTANT NOTICE TO INVESTORS

This document is issued by our Company, solely in connection with the [REDACTED] and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the [REDACTED] offered by this document pursuant to the [REDACTED]. This document may not be used for the purpose of, and does not constitute, an offer or a solicitation of an offer to subscribe for or buy, any security in any other jurisdiction or in any other circumstances. No action has been taken to permit a public [REDACTED] of the [REDACTED] or the distribution of this document in any jurisdiction other than Hong Kong. The distribution of this document and the [REDACTED] and sale of the [REDACTED] in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this document and the [REDACTED] to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this document. Any information or representation not made in this document must not be relied on by you as having been authorized by us, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], any of our or their respective directors, officers, employees, agents, representatives or professional advisors, or any other person or party involved in the [REDACTED].

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SUMMARY

This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read this document in its entirety before you decide to invest in the [REDACTED].

There are risks associated with any investment. Some of the particular risks in investing in the [REDACTED] are set out in the section headed “Risk Factors” in this document. You should read that section carefully before you decide to invest in the [REDACTED].

OVERVIEW

OUR MISSION AND VISION

We are a world-leading new energy technology company. We shoulder the mission of energy safety for mankind. We drive the positive development of the industry with innovative concepts and leading core technologies.

Adhering to our corporate spirit of “beyond commerce, bettering mankind”, we are committed to leading the new energy era.

OUR ACHIEVEMENTS

Our innovative initiatives, and our achievements in quality, technology and R&D laid the foundation for our leading product capability.

According to Frost & Sullivan, in terms of installed capacity in 2021, we:

- ranked second in China among third-party EV battery companies;
- ranked seventh globally among EV battery companies;
- were the only company with over 100% year-on-year growth rate from 2019 to 2021 among the top ten EV battery companies in China^{Note}; and
- were one of the most rapidly growing core EV battery company in the world.

We have established a scaled operation, which in turn, has helped us manage our exponential growth in an effective manner. As scaled operation is a key entry barrier for the EV battery industry, we believe our accomplishments as mentioned above guarantee our future sustainable development and further cement our position as a leading player and a core member of the EV battery industry.

Note: Entities with installed capacities of less than 0.1 GWh for two years in a row are not applied for calculating year-on-year growth rate.

SUMMARY

Taking the ever-leading product competitiveness-oriented approach, we strive to satisfy the key requirements of greater safety, higher energy density and longer battery life for NEVs and ESS while abiding to the efficient use of resources and to support sustainable social development. Such effort has led us to become the pioneer in introducing:

- the high-voltage three-wire system features high energy density, long battery life and excellent safety, making it one of the best battery system solutions for passenger vehicles and realized mass capacity installation;
- the “magazine battery” launched by us is the first of its kind in the industry to prevent fire in the nail penetration test of the ternary battery system, which significantly improves the thermal safety level of the ternary battery system and realized satisfactory application;
- all tab laminated battery has excellent volumetric energy density and outstanding fast charging performance. It has been successfully installed by a number of key customers in their mainstream new platforms; and
- “One-stop Bettery^(Note 1)” battery with the newly developed minimalist structure, which has advantages in energy density, safety and economy, making it the focal point of the industry.

As a core member of the industry, adhering to the “mutually beneficial” principle, we strongly believe that building and enhancing a healthy ecosystem for the industry is our mission. Leveraging on our well-established technological innovation platform, we have built deep strategic partnership with major suppliers and customers. With them, we jointly develop material and equipment related technology and innovative products, which in turn, further promote the development of the industry.

Our management team views advancing energy innovation and making the world a better place as its mission. Our vision attracts employees with the same values. We believe the shared mission contributed to our employee stability and dedication, and when coupled with the excellent leadership of our management, our mission is carried out through dedication to customers, to products and to the industry.

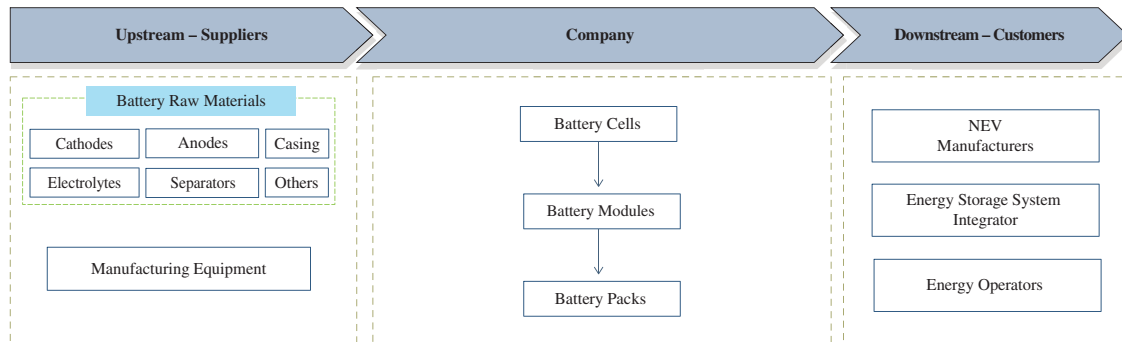
Note 1: Bettery is a term for better battery.

SUMMARY

OUR BUSINESS MODEL

We are mainly engaged in the design, R&D, production and sales of EV batteries and ESS products. Through the continuous innovation of technology, we have built a high degree of mutual trust, synergy and win-win relationship with partners in the upstream and downstream of the industry chain, leading the progress and development of the industry.

Please see below for our business model flowchart, and for further details of our business model, please see “Business – Our Business Models”.



OUR CUSTOMERS

EV battery is a core NEV component and accounts for a material portion of the NEV manufacturing cost. NEV manufacturers are actively seeking high-quality EV battery suppliers with mass production experience, so as to ensure the competitiveness and supply safety of their electric vehicle. During the Track Record Period, we recorded explosive growth and became an EV battery supplier to well-established NEV manufacturers.

For the years ended December 31, 2019, 2020 and 2021, we generated revenue of RMB1,398.5 million, RMB2,352.8 million and RMB5,647.0 million, from our five largest customers, accounting for 80.7%, 83.2% and 82.9% of our total revenue for the corresponding period, respectively. For the same periods, our revenue from the largest customer amounted to RMB686.4 million, RMB1,557.5 million and RMB3,537.1 million, accounting for 39.6%, 55.1% and 51.9% of our total revenue for the corresponding period, respectively.

For further details of our customers, please see “Business – Our Sales and Marketing”.

OUR SUPPLIERS

We have established a trusting and stable cooperative relationship with suppliers which gives us a stable access to raw materials and supports our production as per schedule. Also, quality raw materials are crucial to our product. We embrace the philosophy of co-creation and win-win cooperation and strive to build a positive EV battery ecosystem with our suppliers. We collaborate with our suppliers in the R&D of battery raw materials to produce safer and more reliable batteries with better energy density. Such cooperation not only helps us build strong relationship with our suppliers but also allows us to extend our technical expertise upstream.

SUMMARY

We believe such effort has been instrumental in building a stable raw material supply and enhancing our technical capability. Considering the quality of our raw materials are crucial to the performance of our products, we will continue to seek to closely collaborate with our upstream industry partners.

For the years ended December 31, 2019, 2020 and 2021, purchase from our top five suppliers was RMB2,311.4 million, RMB1,576.8 million and RMB5,366.5 million, respectively, accounted for approximately 66.3%, 45.3% and 46.7% of our total purchase amount for the corresponding period. During the same period, our purchase from our largest supplier amounted to RMB913.6 million, RMB634.0 million and RMB2,976.1 million, representing approximately 26.2%, 18.2% and 25.9% of our total purchase amount for the corresponding period.

For further details in our suppliers, please see “Business – Our Supply Chain Management”.

OUR COMPETITIVE ADVANTAGES

Our competitive advantages include:

- We are a leading EV battery company
- We continue to build a globally influential innovation platform and lead industry development
- We have in-depth manufacture engineering foundations and industry leading scaled operational capabilities
- We have industry partners with strategic synergy and high mutual trust while driving industry development together
- We have a visionary management team with shared mission

OUR DEVELOPMENT STRATEGIES

Our development strategies include:

- All around technology advancement strategy
- Scaling-up strategy
- Promoting a sustainable industry development

SUMMARY

SUMMARY OF HISTORICAL FINANCIAL INFORMATION AND SUMMARY OF MAJOR FINANCIAL RATIOS

The following table sets forth a summary of our consolidated results of operations for the years indicated.

	Year Ended December 31,		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	1,733,832	2,825,419	6,817,115
Cost of sales	<u>(1,650,574)</u>	<u>(2,440,745)</u>	<u>(6,438,837)</u>
Gross profit	83,258	384,674	378,278
Investment and other income	18,662	31,644	176,247
Government grants and subsidies	308,595	134,861	364,509
Other gains and (losses), net	(142,008)	61,906	78,999
Selling expenses	(52,523)	(82,332)	(160,311)
Administrative expenses	(177,638)	(243,107)	(412,062)
R&D expenses	(135,892)	(201,989)	(285,256)
Impairment losses on trade and bill receivables	(35,418)	(23,351)	(26,600)
Impairment losses on prepayments, deposits and other receivables	<u>(1,659)</u>	<u>(1,281)</u>	<u>(682)</u>
(Loss)/profit from operations	(134,623)	61,025	113,122
Finance costs	(41,175)	(57,365)	(24,975)
Share of (losses)/profits of associates	(8,715)	637	(24,714)
Share of loss of a joint venture	<u>—</u>	<u>—</u>	<u>—</u>
(Loss)/profit before tax	(184,513)	4,297	63,433
Income tax credit/(expense)	<u>28,112</u>	<u>(22,625)</u>	<u>48,107</u>
(Loss)/profit for the year	<u>(156,401)</u>	<u>(18,328)</u>	<u>111,540</u>

For a detailed analysis of our results of operations during the Track Record Period, see “Financial Information – Comparison of Results of Operation”.

SUMMARY

Consolidated Statements of Financial Position

The following table sets forth a summary of our consolidated financial position for the years indicated.

	As of December 31,		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets	6,526,413	10,729,103	20,113,370
Current assets	<u>4,607,428</u>	<u>7,570,795</u>	<u>18,586,078</u>
Total assets	<u>11,133,841</u>	<u>18,299,898</u>	<u>38,699,448</u>
Current liabilities	(3,633,200)	(5,066,820)	(9,890,350)
Non-current liabilities	<u>(1,434,842)</u>	<u>(624,457)</u>	<u>(3,822,974)</u>
Total liabilities	<u>(5,068,042)</u>	<u>(5,691,277)</u>	<u>(13,713,324)</u>
Net current assets	<u>974,228</u>	<u>2,503,975</u>	<u>8,695,728</u>
Total assets less current liabilities	<u>7,500,641</u>	<u>13,233,078</u>	<u>28,809,098</u>
Net assets	<u><u>6,065,799</u></u>	<u><u>12,608,621</u></u>	<u><u>24,986,124</u></u>

We recorded total assets of RMB11,133.8 million, RMB18,299.9 million and RMB38,699.4 million as of December 31, 2019, 2020 and 2021, respectively. In addition, we recorded net assets of RMB6,065.8 million, RMB12,608.6 million and RMB24,986.1 million as of December 31, 2019, 2020 and 2021, respectively.

For further details, see “Financial Information – Analysis of Selected Consolidated Statements of Financial Position”.

SUMMARY

Summary of Consolidated Statements of Cash Flow

The following table sets forth a summary of our consolidated cash flow statements for the years indicated.

	Year Ended December 31,		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash (used in)/generated from operating activities	(513,765)	1,942,229	1,586,003
Net cash used in investing activities	(1,250,963)	(5,263,527)	(15,007,227)
Net cash generated from financing activities	2,044,325	4,569,990	14,837,464
	<u> </u>	<u> </u>	<u> </u>
Net increase/(decrease) in cash and cash equivalents	279,597	1,248,692	1,416,240
Cash and cash equivalents at the beginning of the year/period	165,703	445,229	1,693,284
Effect of foreign exchange rate changes	(71)	(637)	(6)
	<u> </u>	<u> </u>	<u> </u>
Cash and cash equivalents at the end of the year	<u>445,229</u>	<u>1,693,284</u>	<u>3,109,518</u>

For a more detailed cash flow analysis, see “Financial Information – Liquidity and Capital Resources– Consolidated Statements of Cash Flows”.

Key Financial Ratios

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

	Year Ended December 31,		
	2019	2020	2021
Return on equity (%) ⁽¹⁾	NM ⁽³⁾	NM ⁽³⁾	0.4
Return on assets (%) ⁽²⁾	NM ⁽³⁾	NM ⁽³⁾	0.3
Gearing ratio (%) ⁽⁴⁾	33.0	8.8	15.5
Current ratio (time) ⁽⁵⁾	1.3	1.5	1.9
Quick ratio (time) ⁽⁶⁾	0.9	1.3	1.7

SUMMARY

Notes:

1. Return on equity is calculated based on the profit for the relevant year divided by the ending balance of total equity and multiplied by 100%.
2. Return on assets is calculated based on the profit for the relevant year divided by the ending balance of total assets and multiplied by 100%.
3. NM: The metric is not meaningful due to net loss recorded during the relevant year.
4. Gearing ratio is calculated based on the loans from related parties, lease liabilities, bank borrowings, other loans, financial guarantees and put option liabilities divided by total equity as at the respective year and multiplied by 100%.
5. Current ratio is calculated based on the total current assets divided by the total current liabilities as at the end of the respective year.
6. Quick ratio is calculated as total current assets less inventories divided by the total current liabilities as at the end of the respective year.

In addition, to comply with the requirements of Rule 4.05A of the Listing Rules, as well as to facilitate the understanding of the impact of the acquisition of Luoyang Company, this document also includes the financial statements of Luoyang Company for the period from 1 January 2019 to 30 June 2019 (i.e. from the commencement date of the Track Record Period up to the completion of our acquisition of Luoyang Company), which have been audited by RSM and are set forth in Section C of the Accountant’s Report in Appendix I to this document.

RELATIONSHIP WITH JINTAN GROUP

Immediately following the completion of the [REDACTED] and assuming no exercise of the [REDACTED], Jinsha Investment, Huake Engineering, Huake Investment and Jintan International will directly hold in aggregate approximately [REDACTED] of our total Shares in issue. The investment by Jintan International in our Company was made in accordance with the instructions of Jintan Holding and Jintan International exercises its voting rights in our Company in accordance with the instructions of Jintan Holding. Accordingly, Jintan Group will constitute a group of our largest Shareholders immediately upon [REDACTED]. As Jintan Group controls less than 30% of our total Shares in issue immediately upon [REDACTED], it will no longer be our controlling shareholders (as defined under the Listing Rules) upon [REDACTED]. Please see “Relationship with Jintan Group” of this document for further details.

CONTINUING CONNECTED TRANSACTIONS

Following the [REDACTED], the transactions between our Company and our connected persons will constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules. We have applied to the Stock Exchange for, [and the Stock Exchange has granted us], waivers exempting us from strict compliance with the rules regarding the relevant requirements under the Chapter 14A of the Listing Rules. Please see “Connected Transactions” and “Waivers from strict compliance with the Listing Rules” of this document for details.

SUMMARY

OUR [REDACTED] INVESTORS

In order to obtain the funds required for our Company’s development and continuously optimize the corporate governance structure, our Company has carried out a series of equity financing since its establishment to introduce new Shareholders and [REDACTED] investors to our Group. Please see “History, Development and Corporate Structure – [REDACTED] Investments” of this document for details.

USE OF PROCEEDS

We estimate the net proceeds of the [REDACTED] which we will receive, assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the [REDACTED] range stated in the Document), will be approximately HK\$[REDACTED] million, after deduction of [REDACTED] and commissions and estimated expenses payable by us in connection with the [REDACTED] and assuming the [REDACTED] is not exercised.

In accordance with our strategy, we plan to use the proceeds for the following intended purposes in the amounts set forth below:

- Approximately [REDACTED] of the proceeds (approximately HK\$[REDACTED] million) will be used to build up and expand a number of production base projects for EV battery and ESS, of which:
 - (i) [REDACTED] of the proceeds (approximately HK\$[REDACTED] million) will be used to purchase equipment and others,
 - (ii) [REDACTED] of the proceeds (approximately HK\$[REDACTED] million) will be used for construction of plants and ancillary structures,
 - (iii) [REDACTED] of the proceeds (approximately HK\$[REDACTED] million) will be used for preliminary planning and trial production of related activities.

Based on the existing production bases in relation to the fund raising and investment projects, we estimate the current production capacity of each relevant production base is expected to range from 10GWh to 20GWh, and the corresponding investment amount of each production base will range from approximately RMB5,000 million to RMB10,000 million. At the same time, we will expand the existing production bases, add various production lines, and continue with technological transformation and upgrade. We expect our effective production capacity to expand to approximately 25GWh and approximately 55GWh in 2022 and 2023, respectively.

SUMMARY

We believe that expanding the current production capacity of our existing production bases and building new production bases will help improve our economies of scale, support our business expansion and continue to drive the development of EV battery industry. Based on our expectation that the EV battery market and ESS market will continue to grow rapidly, we believe it is crucial to expand our production capacity and establish new production bases.

- Approximately [REDACTED] of the proceeds (approximately HK\$[REDACTED] million) will be used for R&D of advanced technologies to maintain technological leadership, which include:
 - (i) approximately [REDACTED] (approximately HK\$[REDACTED] million) will be used for the development of core technologies for advanced materials, advanced batteries and battery lifespan management.
 - (ii) approximately [REDACTED] (approximately HK\$[REDACTED] million) will be used for experiments, pilot capacity building and advanced manufacturing technology development.
- Approximately [REDACTED] of the proceeds (approximately HK\$[REDACTED] million) will be used for working capital and general corporate purposes.

If the [REDACTED] is fixed at HK\$[REDACTED] per [REDACTED] (being the high end of the [REDACTED] range stated in this document), we will receive additional net proceeds of approximately HK\$[REDACTED] million, assuming the [REDACTED] is not exercised. If the [REDACTED] is fixed at HK\$[REDACTED] per [REDACTED] (being the low end of the [REDACTED] range stated in this document), the net proceeds we receive will be reduced by approximately HK\$[REDACTED] million, assuming the [REDACTED] is not exercised. The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the [REDACTED] is fixed at a higher or lower level compared to the midpoint of the estimated [REDACTED] range.

In the event that the [REDACTED] is exercised in full, the additional net proceeds that we would receive would be HK\$[REDACTED] million (assuming an [REDACTED] of HK\$[REDACTED] per Share, being the mid-point of the [REDACTED] range stated in the Document). Additional net proceeds received due to the exercise of any [REDACTED] will be used for the above purposes accordingly on a pro rata basis if the [REDACTED] is exercised.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we propose to deposit the net proceeds into short-term deposits or money market instruments.

SUMMARY

[REDACTED] EXPENSES

[REDACTED] expenses represent professional fees, [REDACTED] and other fees incurred in connection with the [REDACTED]. We incurred [REDACTED] expenses of HK\$19.2 million for the year ended December 31, 2021. We expect to incur additional [REDACTED] expenses of approximately [REDACTED] (assuming the [REDACTED] is not exercised and based on the [REDACTED] of [HK\$[REDACTED]] per [REDACTED], being the [mid-point] of the [REDACTED] range). The [REDACTED] expenses we incurred during the Track Record Period and expect to incur would consist of approximately [REDACTED] [REDACTED] and approximately [REDACTED] non-[REDACTED]. Among the total [REDACTED] expenses which we expect to incur, approximately [REDACTED] is expected to be charged to profit or loss, and approximately [REDACTED] is expected to be capitalized, which will be deducted from equity upon the [REDACTED]. Our total [REDACTED] are estimated to account for [REDACTED] of the gross proceeds of the [REDACTED] (assuming the [REDACTED] is not exercised and based on the [REDACTED] of [HK\$[REDACTED]] per [REDACTED], being the mid-point of the [REDACTED] range). The [REDACTED] above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

[REDACTED] STATISTICS⁽¹⁾

	Based on the [REDACTED] of HK\$[REDACTED] per [REDACTED]	Based on the [REDACTED] of HK\$[REDACTED] per [REDACTED]	Based on the [REDACTED] of HK\$[REDACTED] per [REDACTED]
Market capitalization of our Shares ⁽²⁾	HK\$[REDACTED] million	HK\$[REDACTED] million	HK\$[REDACTED] million
[REDACTED] adjusted Consolidated net tangible assets per Share ⁽³⁾	HK\$[REDACTED]	HK\$[REDACTED]	HK\$[REDACTED]

Notes:

- (1) All statistics in this table are on the assumption that the [REDACTED] is not exercised.
- (2) The calculation of market capitalization is based on [REDACTED] Shares expected to be in issue immediately after completion of the [REDACTED].
- (3) The pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per [REDACTED] is calculated after making the adjustments referred to in “Unaudited Pro Forma Financial Information – A. Unaudited Pro Forma Adjusted Net Tangible Assets” in Appendix II to this document and on the basis that [REDACTED] Shares were issued assuming the [REDACTED] has been completed on [REDACTED].

DIVIDEND POLICY

We did not pay or declare any dividends during the Track Record Period. We currently do not have a pre-determined dividend payout ratio. The Board may declare and our Company may pay dividends after taking into account our results of operations, financial condition, operational and capital expenditure requirements, future business development strategies and other factors that may be deemed as relevant.

SUMMARY

INTELLECTUAL PROPERTY INFRINGEMENT CLAIMS AND PATENT INVALIDATION APPLICATIONS

During the Track Record Period and up to the Latest Practicable Date, we were involved in certain intellectual property infringement claims and patent invalidation applications brought against us. For details, please see “Business – Regulatory Compliance and Legal Proceedings – Intellectual Property Infringement Claims” and “Business – Regulatory Compliance and Legal Proceedings – Patent Invalidation Applications”.

THE IMPACT OF THE COVID-19 PANDEMIC

Since the first quarter of 2020, the outbreak of COVID-19 has materially and adversely affected the global economy. To provide a safer work environment during the COVID-19 pandemic, we have adopted relevant contingency measures to ensure the health of our employees and hygiene of our work environment. For details, please see “Business – The Impact of the COVID-19 Pandemic”.

RECENT DEVELOPMENTS

Our Installed Capacity In January 2022

According to Frost and Sullivan, our installed capacity of 1.2 GWh in January 2022, ranks sixth globally among EV battery companies and second amongst third-party EV battery companies in China.

Investment in Jiangmen City, Guangdong Province and Xiamen City, Fujian Province

In February 2022, we established Jiangmen Company in Jiangmen City, Guangdong province. The production base of Jiangmen Company is expected to have a production capacity of approximately 50GWh and will produce EV battery and ESS products. In February 2022, we also established Fujian Company in Xiamen City, Fujian Province. The production base of Fujian Company is expected to have a production capacity of approximately 40GWh and will produce EV battery and ESS products.

With Luoyang Company

We entered into an equity transfer agreement with Jincheng Technology on October 18, 2021, pursuant to which our Company agreed to sell and Jincheng Technology agreed to purchase the 51% of equity interests in Luoyang Company. On March 3, 2022, we entered into another equity transfer agreement with Jinhang Holding, pursuant to which our Company agreed to sell and Jinhang Holding agreed to purchase the remaining 49% of equity interests in Luoyang Company. Upon completion of aforementioned transfers, Luoyang Company was owned as to 51% by Jincheng Technology and 49% by Jinhang Holding. For details, please see “History, Development and Corporate Structure – Acquisition and Disposal of Luoyang Company” of this document. In relation to the transfer aforementioned, we entered into an

SUMMARY

entrusted processing framework agreement with Luoyang Company on December 31, 2021 pursuant to which we agree to entrust Luoyang Company and Luoyang Company agrees to provide processing services of EV battery products for civil use and ESS products to our Company for a term of one year commencing from January 1, 2022 and ending on December 31, 2022. In addition, Luoyang Company also agrees to use its best endeavour to procure its clients to enter into business contracts with our Group after its existing business contracts have been duly performed. Please see “Connected Transactions – Non-Exempt Continuing Connected Transaction – 4. Entrusted Processing Framework Agreement” of this document for further details. As our production capacity expands, we expect the processing services provided by Luoyang Company to reduce.

DIRECTORS’ CONFIRMATION OF NO MATERIAL AND ADVERSE CHANGE

After due and careful consideration, our Directors confirm that, up to the Latest Practicable Date, there has not been any material adverse change in our financial or trading position or prospects since December 31, 2021, and there is no event since December 31, 2021 which would materially affect the data shown in the Accountants’ Report in Appendix I.

SUMMARY OF MAJOR RISK FACTORS

Our major risk factors include:

- Our success as a leading EV battery company depends to a great extent on our R&D capabilities and failure of our technology and product R&D efforts to meet our expectations may hurt our competitiveness and profitability.
- We have limited operating history in EV battery industry and our ability to develop, manufacture and deliver EV batteries is still evolving, and we may not be successful in expanding our operations or managing our growth effectively.
- We are exposed to price fluctuations of raw materials.
- Our business is subject to the market forces in the EV battery industry and our results are dependent in part on the changes in industries of our customers and market demand for their end products.
- We may not be able to prevent the unauthorized use of our intellectual property rights by others, which could damage our business and competitive position.
- We may be involved in intellectual property infringement claims and invalidation applications, which may be time consuming and result in us bearing expenses.

DEFINITIONS

In this document, unless the context otherwise requires, the following expressions shall have the following meanings.

“2019 Share Incentive Scheme”	2019 share incentive scheme approved and adopted by our Company on August 2, 2019, the principal terms of which are summarized in the “Statutory and General Information – 5. Share Incentive Schemes – A. 2019 Share Incentive Scheme” in Appendix VI to this document
“2020 Share Incentive Scheme”	2020 share incentive scheme approved and adopted by our Company on October 30, 2020, the principal terms of which are summarized in the “Statutory and General Information – 5. Share Incentive Schemes – B. 2020 Share Incentive Scheme” in Appendix VI to this document
“2021 Share Incentive Scheme”	2021 share incentive scheme approved and adopted by our Company on November 10, 2021, the principal terms of which are summarized in the “Statutory and General Information – 5. Share Incentive Schemes – C. 2021 Share Incentive Scheme” in Appendix VI to this document
“Articles of Association”	the articles of association of our Company adopted and approved on December 25, 2021, which will become effective upon the [REDACTED], as amended from time to time, a summary of which is set out in Appendix V to this document
“associates”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of our Board
“Aviation Industry Integration Fund”	Aviation industry Integration Development (Qingdao) Equity Investment Fund Partnership (Limited Partnership)* (航空產業融合發展(青島)股權投資基金合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on January 27, 2021, whose general partner is Qingdao Honghua Private Equity Management Co., Ltd.* (青島弘華私募基金管理有限公司) (ultimately controlled by AVIC), one of our [REDACTED] investors and an Independent Third Party

DEFINITIONS

“Aviation Investment”	China Aviation Investment Holding Company* (中航投資控股有限公司), a company established under the laws of the PRC with limited liability on September 4, 2002 and ultimately controlled by AVIC, an Independent Third Party
“AVIC”	Aviation Industry Corporation of China, Ltd.* (中國航空工業集團有限公司), a company established under the laws of the PRC with limited liability on November 6, 2008 and wholly owned by State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會), an Independent Third Party
“Board” or “Board of Directors”	the board of Directors of our Company
“Business Day” or “business day”	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, a Sunday or a public holiday in Hong Kong
“CAGR”	compound annual growth rate
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual, joint individuals or a corporation

DEFINITIONS

[REDACTED]

“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Changan NEV”	Chongqing Changan New Energy Vehicles Technology Co., Ltd.* (重慶長安新能源汽車科技有限公司), a company established under the laws of the PRC with limited liability on May 28, 2018
“Changzhou Lihang Industrial”	Changzhou Lihang Industrial Investment Co., Ltd.* (常州鋰航實業投資有限公司), a company established under the laws of the PRC with limited liability on September 27, 2020 and owned as to 95% and 5% by Liu Junling (劉俊靈) and Zhang Qi (張琪), both of whom are employees of our Company, an Independent Third Party

DEFINITIONS

“Changzhou Lihang Kaibo No. 1”	Changzhou Lihang Kaibo No. 1 Equity Investment Partnership (Limited Partnership)* (常州鋰航凱博壹號實業投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on November 5, 2020 with Changzhou Lihang Industrial being its sole general partner and executive partner, one of our Employees Shareholding Platforms
“Changzhou Lihang Kaibo No. 2”	Changzhou Lihang Kaibo No. 2 Equity Investment Partnership (Limited Partnership)* (常州鋰航凱博貳號實業投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on November 5, 2020 with Changzhou Lihang Industrial being its sole general partner and executive partner, one of our Employees Shareholding Platforms
“Changzhou Lihang Kaibo No. 3”	Changzhou Lihang Kaibo No. 3 Equity Investment Partnership (Limited Partnership)* (常州鋰航凱博參號實業投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on November 5, 2020 with Changzhou Lihang Industrial being its sole general partner and executive partner, one of our Employees Shareholding Platforms
“Changzhou Lihang Kaibo No. 4”	Changzhou Lihang Kaibo No. 4 Equity Investment Partnership (Limited Partnership)* (常州鋰航凱博肆號實業投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on November 5, 2020 with Changzhou Lihang Industrial being its sole general partner and executive partner, one of our Employees Shareholding Platforms
“Changzhou Lihang Kaibo No. 5”	Changzhou Lihang Kaibo No. 5 Equity Investment Partnership (Limited Partnership)* (常州鋰航凱博伍號實業投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on November 5, 2020 with Changzhou Lihang Industrial being its sole general partner and executive partner, one of our Employees Shareholding Platforms

DEFINITIONS

“Changzhou Lihang Kaibo No. 6”	Changzhou Lihang Kaibo No. 6 Equity Investment Partnership (Limited Partnership)* (常州鋰航凱博陸號實業投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on November 6, 2020 with Changzhou Lihang Industrial being its sole general partner and executive partner, one of our Employees Shareholding Platforms
“Changzhou Lihang Kaibo No. 7”	Changzhou Lihang Kaibo No. 7 Equity Investment Partnership (Limited Partnership)* (常州鋰航凱博柒號實業投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on November 5, 2020 with Changzhou Lihang Industrial being its sole general partner and executive partner, one of our Employees Shareholding Platforms
“Changzhou Lihang Kaibo No. 8”	Changzhou Lihang Kaibo No. 8 Equity Investment Partnership (Limited Partnership)* (常州鋰航凱博捌號實業投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on November 6, 2020 with Changzhou Lihang Industrial being its sole general partner and executive partner, one of our Employees Shareholding Platforms
“Changzhou Lihang Kaibo No. 9”	Changzhou Lihang Kaibo No. 9 Equity Investment Partnership (Limited Partnership)* (常州鋰航凱博玖號實業投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on November 6, 2020 with Changzhou Lihang Industrial being its sole general partner and executive partner, one of our Employees Shareholding Platforms
“Changzhou Lihang Kaibo No. 10”	Changzhou Lihang Kaibo No. 10 Equity Investment Partnership (Limited Partnership)* (常州鋰航凱博拾號實業投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on November 6, 2020 with Changzhou Lihang Industrial being its sole general partner and executive partner, one of our Employees Shareholding Platforms

DEFINITIONS

“Changzhou Lihang Kaibo No. 11”	Changzhou Lihang Kaibo No. 11 Equity Investment Partnership (Limited Partnership)* (常州鋰航凱博拾壹號實業投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on September 1, 2021 with Changzhou Lihang Industrial being its sole general partner and executive partner, one of our Employees Shareholding Platforms
“Chengdu Company”	CALB (Chengdu) Co., Ltd.* (凱博能源科技(成都)有限公司), a company established under the laws of the PRC with limited liability on May 29, 2021 and owned as to 51% by our Company and 49% by Chengdu Heavy Industry Longjin, a direct non-wholly owned subsidiary of our Company
“Chengdu Heavy Industry Longjin”	Chengdu City Heavy Industry Longjin New Energy Technology Development Co., Ltd.* (成都市重產龍錦新能源科技發展有限公司), a company established under the laws of the PRC with limited liability on May 10, 2021, which is owned as to 76% and 24% by Chengdu Major Industrial Project Phase I Equity Investment Fund Co., Ltd.* (成都市重大產業化項目一期股權投資基金有限公司) and Chengdu Economic Development Industrial Equity Investment Fund (Limited Partnership)* (成都經開產業股權投資基金(有限合夥)) respectively, one of our [REDACTED] Investors and a connected person of our Company
“Chengfei Integration”	Sichuan Chengfei Integration Technology Co., Ltd* (四川成飛集成科技股份有限公司), a company established under the laws of the PRC with limited liability on December 6, 2000, whose shares are listed on the Shenzhen Stock Exchange (stock code: 002190)
“Chenyi Pengqi”	Jiaxing Chenyi Pengqi Equity Investment Partnership (Limited Partnership)* (嘉興晨壹鵬騏股權投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on October 21, 2020 whose general partner is Chenyi Hongqi (Beijing) Consulting Co., Ltd.* (晨壹紅啟(北京)諮詢有限公司), one of our [REDACTED] Investors and an Independent Third Party

DEFINITIONS

“China Insurance Investment Advanced Manufacturing”	China Insurance Investment (Shenzhen) Advanced Manufacturing Investment Partnership (Limited Partnership)* (中保投(深圳)先進製造投資合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on October 28, 2020 whose general partner is China Insurance Investment Co., Ltd.* (中保投資有限責任公司), one of our [REDACTED] Investors and an Independent Third Party
“China Insurance Investment No. 1 New Energy”	China Insurance Investment No. 1 (Shenzhen) New Energy Automobile Industry Investment Partnership (Limited Partnership)* (中保投壹號(深圳)新能源汽車產業投資合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on September 7, 2020 whose general partner is China Insurance Investment Co., Ltd.* (中保投資有限責任公司), one of our [REDACTED] Investors, and an Independent Third Party
“China Insurance Investment No. 2 New Energy”	China Insurance Investment No. 2 (Shenzhen) New Energy Automobile Industry Investment Partnership (Limited Partnership)* (中保投貳號(深圳)新能源汽車產業投資合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on September 16, 2020 whose general partner is China Insurance Investment Co., Ltd.* (中保投資有限責任公司), one of our [REDACTED] Investors and an Independent Third Party
“China Insurance Investment Strategic Emerging”	China Insurance Investment (Shenzhen) Strategic Emerging Industry Investment Partnership (Limited Partnership)* (中保投(深圳)戰略新興產業投資合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on November 3, 2020 whose general partner is China Insurance Investment Co., Ltd.* (中保投資有限責任公司), one of our [REDACTED] Investors and an Independent Third Party
“Chinese government” or “PRC government”	the central government of the PRC and all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them

DEFINITIONS

“Chuanghe Xincai”	Chuanghe Xincai (Xiamen) Manufacturing Transform and Upgrade Fund Partnership* (創合鑫材(廈門)製造業轉型升級基金合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on December 28, 2020 whose general partner is Xiamen Chuanghe Luxiang Investment Management Co., Ltd.* (廈門創合鷺翔投資管理有限公司), one of our [REDACTED] Investors and an Independent Third Party
“Chuangyi Shengtun”	Xiamen Chuanyi Shengtun New Energy Industry Investment Partnership (Limited Partnership)* (廈門創益盛屯新能源產業投資合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on April 30, 2021 whose general partner are SDIC Chuangyi Industry Fund Management Co., Ltd.* (國投創益產業基金管理有限公司) and Beijing Shengtun Tianyu Private Fund Management Co., Ltd.* (北京盛屯天宇私募基金管理有限公司), one of our [REDACTED] Investors and an Independent Third Party
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Company” or “our Company”	CALB Co., Ltd.* (中創新航科技股份有限公司) (formerly known as CALB (Jiangsu) Co., Ltd.* (中航鋰電(江蘇)有限公司), CALB Technology Co., Ltd.* (中航鋰電科技有限公司) and CALB Techonology Holding Co., Ltd.* (中航鋰電科技股份有限公司)), a company established under the laws of the PRC with limited liability on December 8, 2015, and subsequently converted into a joint stock company with limited liability on November 10, 2021
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Corporate Governance Code”	the Corporate Governance Code set out in Appendix 14 to the Listing Rules

DEFINITIONS

“CPM”	chief patent manager
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC national securities markets
“Dahou Cornerstone”	Wuhu Dahou Cornerstone Equity Investment Partnership (Limited Partnership)* (蕪湖達厚基石股權投資合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on May 27, 2021 whose general partner is Tibet Tianji Cornerstone Venture Capital Co., Ltd.* (西藏天璣基石創業投資有限公司), one of our [REDACTED] Investors and an Independent Third Party
“Director(s)”	director(s) of our Company
“Domestic Shares”	domestic shares in the ordinary share capital of our Company, with a par value of RMB1.00 each, which are subscribed for and paid up in Renminbi
“Dongtou Liying”	Changzhou City Dongtou Liying Venture Capital Partnership (Limited Partnership)* (常州市東投鋰盈創業投資合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on August 2, 2021 whose general partner is Donghai Investment Co., Ltd.* (東海投資有限責任公司), one of our [REDACTED] Investors and an Independent Third Party
“EIT Law”	the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法), as amended, supplemented or otherwise modified from time to time
“Employees Shareholding Platforms”	employees shareholding platforms as set out in the section headed “Statutory and General Information – 5. Share Incentive Schemes” in Appendix VI to this document
“Exchange Participant(s)”	a person: (a) who, in accordance with the Listing Rules, may trade on or through the Stock Exchange; and (b) whose name is entered in a list, register or roll kept by the Stock Exchange as a person who may trade on or through the Stock Exchange

DEFINITIONS

“Extreme Conditions”	extreme conditions caused by a super typhoon as announced by the government of Hong Kong
“Fujian Company”	CALB Fujian Co., Ltd.* (中創新航科技(福建)有限公司), a company established under the laws of the PRC with limited liability on February 22, 2022 and owned as to 51% by our Company and 49% by Jinyuan Industry, a direct non-wholly owned subsidiary of our Company
“GAC Aion”	GAC Aion New Energy Vehicle Co., Ltd.* (廣汽埃安新能源汽車有限公司), a company established under the laws of the PRC with limited liability on July 28, 2017
“Germany Company”	CALB GmbH (中航鋰電(德國)有限公司), a company established under the laws of Stuttgart, Germany with limited liability on April 30, 2021 and a direct wholly-owned subsidiary of our Company
“Getian Star”	Shenzhen Getian Star Management Partnership (Limited Partnership)* (深圳市格天思達管理合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on August 20, 2020 whose general partner is Xu Xiuyun (徐秀雲), one of our [REDACTED] Investors and an Independent Third Party [REDACTED]
“Government of Jintan District”	People’s Government of Jintan District, Changzhou City [REDACTED]
“Group”, “we”, “our” or “us”	our Company and our subsidiaries, and their respective predecessors
“Guangqi Ruidian”	Guangdong Guangqi Ruidian Equity Investment Partnership (Limited Partnership)* (廣東廣祺瑞電股權投資合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on September 27, 2020 whose general partner is Guangzhou Yingpeng Investment Management Company Limited* (廣州盈蓬投資管理有限公司), one of our [REDACTED] Investors and an Independent Third Party

DEFINITIONS

- “Guoshou Private Equity” Guoshou (Shenzhen) Technology Innovation Private Equity Investment Fund Partnership (Limited Partnership)* (國壽(深圳)科技創新私募股權投資基金合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on June 9, 2021 whose general partner is Guoshou (Tianjin) Technology Innovation Investment Management Co., Ltd.* (國壽(天津)科技創新投資管理有限公司), one of our [REDACTED] Investors and an Independent Third Party
- “Guolian Tongjin” Wuxi Guolian Tongjin Equity Investment Partnership (Limited Partnership)* (無錫國聯通錦股權投資合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on November 11, 2020 whose general partner is Guolian Tongbao Capital Investment Co., Ltd.* (國聯通寶資本投資有限責任公司), one of our [REDACTED] Investors and an Independent Third Party
- “Guolian Tongkun” Wuxi Guolian Tongkun Equity Investment Partnership (Limited Partnership)* (無錫國聯通錕股權投資合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on November 10, 2020 whose general partner is Guolian Tongbao Capital Investment Co., Ltd.* (國聯通寶資本投資有限責任公司), one of our [REDACTED] Investors and an Independent Third Party
- “Guolian Tongwu” Wuxi Guolian Tongwu Equity Investment Partnership (Limited Partnership)* (無錫國聯通鋁股權投資合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on November 9, 2020 whose general partner is Guolian Tongbao Capital Investment Co., Ltd.* (國聯通寶資本投資有限責任公司), one of our [REDACTED] Investors and an Independent Third Party
- “H Share(s)” overseas listed foreign shares in the ordinary share capital of our Company with a nominal value of RMB1.00 each, to be subscribed for and traded in Hong Kong dollars and listed on the Stock Exchange

[REDACTED]

DEFINITIONS

- “Hainan Huaping” Hainan Huaping New Energy Private Equity Fund Partnership (Limited Partnership)* (海南華平新能源私募基金合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on May 25, 2021 whose general partner is Hainan Huaping Enterprise Management Consulting Center (Limited Partnership)* (海南華平企業管理諮詢中心(有限合夥)), one of our [REDACTED] Investors and an Independent Third Party
- “Hainan Qingshan” Hainan Qingshan Investment Partnership (Limited Partnership)* (海南清善投資合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on July 1, 2021 whose general partner is Zhong Baoshen (鍾寶申), one of our [REDACTED] Investors and an Independent Third Party
- “Hanshi Precision” Shenzhen Hanshi Precision Automatic Control Technology Company Limited* (深圳市漢獅精密自控技術有限公司), a company established under the laws of the PRC with limited liability on March 15, 2018 and wholly owned by Shenzhen Dazu Venture Capital Co., Ltd.* (深圳市大族創業投資有限公司), one of [REDACTED] Investors and an Independent Third Party
- “Hefei Beicheng Investment” Hefei Beicheng Industrial Investment Guidance Fund Company Limited* (合肥北城產業投資引導基金有限公司), a company established under the laws of the PRC with limited liability on August 30, 2021, and is ultimately controlled by Changfeng County Finance Bureau* (長豐縣財政局) in Hefei City, a connected person of our Company
- “Hefei Company” CALB (Hefei) Co., Ltd.* (凱博能源科技(合肥)有限公司), a company established under the laws of the PRC with limited liability on September 25, 2021 in which our Company is entitled to exercise more than 50% of the voting rights, a direct non wholly-owned subsidiary of our Company

[REDACTED]

DEFINITIONS

[REDACTED]

“HK\$” or “Hong Kong dollars” “HK dollars” or “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

[REDACTED]

DEFINITIONS

[REDACTED]

“Hongdu Airline”	Jiangxi Hongdu Aviation Industry Joint Stock Co., Ltd.* (江西洪都航空工業股份有限公司), a joint stock company established on December 16, 1999, the shares of which are listed on the Shanghai Stock Exchange (stock code: 600316) which is ultimately controlled by AVIC, an Independent Third Party
“Hongshan Kaichen”	Hongshan Kaichen (Xiamen) Equity Investment Partnership (Limited Partnership)* (紅杉凱辰(廈門)股權投資合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on September 2, 2020 whose general partner is Shenzhen Sequoia An Tai Equity Investment Partnership (Limited Partnership)* (深圳紅杉安泰股權投資合夥企業(有限合夥)), one of our [REDACTED] Investors and an Independent Third Party
“Huake Engineering”	Changzhou Huake Engineering Construction Co., Ltd.* (常州華科工程建設有限公司), a company established under the laws of the PRC with limited liability on April 14, 2015 and is wholly owned by Jintan Hualuogeng
“Huake Investment”	Changzhou Huake Technology Investment Co., Ltd.* (常州華科科技投資有限公司), a company established under the laws of the PRC with limited liability on August 5, 2015 and wholly owned by Jintan Hualuogeng
“Huaxian Automobile”	Guangzhou Huaxian Automobile Co., Ltd.* (廣州華現汽車有限公司), a company established under the laws of the PRC with limited liability on August 10, 2012 and owned as to 70% by Zeng Yangyi (曾洋溢) and 30% by Zheng Yuanyi (鄭媛儀) respectively, one of our [REDACTED] Investors and an Independent Third Party

DEFINITIONS

“Hunan Hualing”	Hunan Hualing Dice Honggang Investment Partnership (Limited Partnership)* (湖南華菱迪策鴻鋼投資合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on May 27, 2021 whose general partner is Hunan Dice Runtong Private Fund Management Co., Ltd.* (湖南迪策潤通私募基金管理有限公司), one of our [REDACTED] Investors and an Independent Third Party
“Huzhou Haifa”	Haifa (Huzhou) Equity Investment Partnership (Limited Partnership)* (海發(湖州)股權投資合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on June 7, 2021 whose general partner is Yuanhai Xinda Investment Management (Tianjin) Co., Ltd.* (遠海信達投資管理(天津)有限公司), one of our [REDACTED] Investors and an Independent Third Party
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which, as far as our Directors are aware after having made all reasonable enquiries, is/are not (a) connected person(s) of our Company within the meaning of the Listing Rules

[REDACTED]

DEFINITIONS

[REDACTED]

“Jiangmen Company”	CALB (Jiangmen) Co., Ltd* (中創新航科技(江門)有限公司), a company established under the laws of the PRC with limited liability on February 23, 2022 and owned as to 51% by our Company and 49% by Jiangmen New Energy, a direct non-wholly owned subsidiary of our Company
“Jiangmen New Energy”	Jiangmen City Haina New Energy Investment Partnership (Limited Partnership)* (江門市海納新能源投資合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on February 7, 2022 whose general partner is Jiangmen City Haina Enterprise Management Co., Ltd* (江門市海納企業管理有限公司), an Independent Third Party
“Jiangsu Company”	CALB (Jiangsu) Co., Ltd.* (中創新航科技(江蘇)有限公司) (formerly known as Kaibo Energy Technology (Jiangsu) Co., Ltd.* (凱博能源科技(江蘇)有限公司)), a company established under the laws of the PRC with limited liability on June 23, 2021, a direct wholly owned subsidiary of our Company
“Jiangsu Research Institute”	CALB Technology Co., Ltd.* (中創新航技術研究院(江蘇)有限公司) (formerly known as Kaibo Energy Technology Co., Ltd.* (凱博能源科技有限公司) and China Lithium Battery Technology Co., Ltd.* (中航鋰電技術研究院有限公司)), a company established under the laws of the PRC with limited liability on November 8, 2016, a direct wholly-owned subsidiary of our Company

DEFINITIONS

“Jiaying Xingneng”	Jiaying Xingneng Venture Capital Partnership (Limited Partnership)* (嘉興興能創業投資合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on July 9, 2021 whose general partner is Xingtou (Beijing) Capital Management Co., Ltd.* (興投(北京)資本管理有限公司), one of our [REDACTED] Investors and an Independent Third Party
“Jincheng Technology”	Jiangsu Province Jintan Jincheng Technology Industry Development Co., Ltd.* (江蘇省金壇金城科技產業發展有限公司), a company established under the laws of the PRC with limited liability on December 7, 2015 and wholly owned by Jintan Holding, a connected person of our Company
“Jinhang Holding”	Jiangsu Jinhang Holding Co., Ltd.* (江蘇金航控股有限公司), a company established under the laws of the PRC with limited liability on March 2, 2022, which is owned as to 40% by Jincheng Technology, 30% by Changsha Huashi Semi-conduct Co., Ltd.* (長沙華實半導體有限公司), an Independent Third Party, and 30% by Fujian Yuanzhi Environmental Technology Co., Ltd.* (福建遠致環保科技有限公司), an Independent Third Party. Jinhang Holding is a connected person of our Company
“Jinli Investment”	Xiamen Jinli Equity Investment Partnership (Limited Partnership)* (廈門金鋰股權投資合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on October 29, 2020 with Jinyuan Capital Management (Xiamen) Co., Ltd.* (金圓資本管理(廈門)有限公司) being its general partner and is ultimately controlled by Jinyuan Investment, one of our [REDACTED] Investors and a connected person of our Company
“Jinsha Investment”	Changzhou Jinsha Technology Investment Co., Ltd.* (常州金沙科技投資有限公司), a company established under the laws of the PRC with limited liability on May 4, 2008 and wholly owned by Jintan Holding
“Jintan Group”	namely Jinsha Investment, Huake Engineering, Huake Investment, Jintan International, Jintan Hualuogeng and Jintan Holding
“Jintan Holding”	Jiangsu Jintan Investment Holding Co., Ltd.* (江蘇金壇投資控股有限公司), a company established under the laws of the PRC with limited liability on September 16, 2014 and wholly owned by the Government of Jintan District, a connected person of our Company

DEFINITIONS

“Jintan Hualuogeng”	Jiangsu Jintan Hualuogeng Technology Industry Development Co., Ltd.* (江蘇金壇華羅庚科技產業發展有限公司), a company established under the laws of the PRC with limited liability on December 12, 2014 and owned as to 90% by Jintan Holding and 10% by Changzhou Investment Group Co., Ltd.* (常州投資集團有限公司), respectively, a connected person of our Company
“Jintan International”	Jiangsu Jintan National Development International Investment Development Co., Ltd.* (江蘇金壇國發國際投資發展有限公司), a company established under the laws of the PRC with limited liability on December 16, 2010 and exercising its voting rights in our Shares in accordance with the instructions of Jintan Holding, a connected person of our Company
“Jinyuan Industry”	Xiamen Jinyuan Industry Development Company Limited* (廈門金圓產業發展有限公司), a company established under the laws of the PRC with limited liability on August 13, 2014 and wholly owned by Jinyuan Investment, one of our [REDACTED] Investors and Substantial Shareholders
“Jinyuan Investment”	Xiamen Jinyuan Investment Group Co., Ltd.* (廈門金圓投資集團有限公司), a company established under the laws of the PRC with limited liability on July 13, 2011 and wholly owned by the Finance Bureau of Xiamen City* (廈門市財政局), one of our [REDACTED] Investors and Substantial Shareholders
“Latest Practicable Date”	March 2, 2022, being the latest practicable date for the purpose of ascertaining certain information in this document prior to its publication
“Lihang Jinzhi”	Xiamen Lihang Jinzhi Equity Investment Partnership (Limited Partnership)* (廈門鋰航金智股權投資合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on July 29, 2019 whose general partner is Xiamen Lihang Equity Investment, one of our [REDACTED] Investors and a connected person of our Company

DEFINITIONS

“Link Cornerstone” Shenzhen City Linghui Cornerstone Equity Investment Fund Partnership (Limited Partnership)* (深圳市領匯基石股權投資基金合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on June 25, 2018 whose general partner is Shenzhen Lingxin Cornerstone Equity Investment Management Partnership (Limited Partnership)* (深圳市領信基石股權投資基金管理合夥企業(有限合夥)), one of our [REDACTED] Investors and an Independent Third Party

[REDACTED]

“Listing Committee” the Listing Committee of the Stock Exchange

[REDACTED]

“Listing Rules” the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time

“Luoyang Company” China Lithium Battery Technology (Luoyang) Co., Ltd.* (中航鋰電(洛陽)有限公司), a company established under the laws of the PRC with limited liability on September 14, 2009 and formerly our controlling Shareholder and subsequently became a subsidiary of our Company. As of the Latest Practicable Date, Luoyang Company is owned as to 51% by Jincheng Technology and 49% by Jinhang Holding, and a connected person of our Company

“Luoyang Company Minority Shareholders” namely, Missile Academy, Shunying Investment, Zhongguancun Guosheng, Aviation Investment, Hongdu Airline

“Luoyang Xinghang” Luoyang Xinghang New Energy Technology Services Co., Ltd.* (洛陽興航新能源技術服務有限公司), a company established under the laws of the PRC with limited liability on October 22, 2010, an Independent Third Party

DEFINITIONS

“Ma’anshan Cornerstone”	Ma’anshan Cornerstone Intelligent Manufacturing Industry Fund Partnership (Limited Partnership)* (馬鞍山基石智能製造產業基金合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on August 31, 2018 whose general partner is Ma’anshan Happiness Cornerstone Investment Management Co., Ltd.* (馬鞍山幸福基石投資管理有限公司), one of our [REDACTED] Investors and an Independent Third Party
“Ma’anshan Shengtuo”	Ma’anshan Shengtuo Equity Investment Partnership (Limited Partnership)* (馬鞍山盛拓股權投資合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on September 29, 2019 whose general partner is Urumqi Phoenix Cornerstone Equity Investment Management Partnership (Limited Partnership)* (烏魯木齊鳳凰基石股權投資管理有限合夥企業), one of our [REDACTED] Investors and an Independent Third Party
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange, which is independent from and operated in parallel with GEM of the Stock Exchange
“Mandatory Provisions”	the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (到境外上市公司章程必備條款), as promulgated by the State Council Securities Commission and the State Restructuring Commission on August 27, 1994 and became effective on the same date, as the same may be amended and supplemented or otherwise modified from time to time
“Manufacturing Transform and Upgrade Fund”	National Manufacturing Transform and Upgrade Fund Co., Ltd.* (國家製造業轉型升級基金股份有限公司), a company established under the laws of the PRC with limited liability on November 18, 2019 which is owned as to 15.29% and 84.71% by the Ministry of Finance of the PRC and 19 Independent Third Parties, respectively, one of our [REDACTED] Investors and an Independent Third Party

DEFINITIONS

“Materials Company”	CALB Materials (Sichuan) Co., Ltd* (中創新航材料科技(四川)有限公司), a company established under the laws of the PRC with limited liability on January 26, 2022, a direct wholly-owned subsidiary of our Company
“MES system”	Manufacturing execution system used in manufacturing to track and document the transformation of raw materials to finished products in a production plant
“Missile Academy”	China Airborne Missile Academy* (中國空空導彈研究院), a public institution established under the laws of PRC with AVIC being its organizer, an Independent Third Party
“MOF”	the Ministry of Finance of the PRC (中華人民共和國財政部)
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部) or its predecessor, the Ministry of Foreign Trade and Economic Cooperation of the PRC (中華人民共和國對外貿易經濟合作部)
“Nanjing Xing Na Zhou”	Nanjing Xing Na Zhou Equity Investment Partnership (Limited Partnership)* (南京星納州股權投資合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on August 1, 2020 whose general partner is Hainan Xinglan Company Management Partnership (Limited Partnership)* (海南星蘭企業管理合夥企業(有限合夥)), one of our [REDACTED] Investors and an Independent Third Party
“NDRC”	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“Non-Competition Agreement”	the non-competition agreement dated March 2, 2022 and entered into by each member of Jintan Group in favor of our Company (for ourselves and as trustee for our subsidiaries), as further described under the section headed “Relationship with Jintan Group – Non-Competition Agreement” in this document
“NPC”	National People’s Congress (全國人民代表大會)

DEFINITIONS

[REDACTED]

“PLM system”	Product lifecycle management system, a software solution for new product introduction and product information management which integrates people, data processes, and business systems
“PRC Company Law”	the Company Law of the PRC, as amended, supplemented or otherwise modified from time to time
“PRC Legal Advisor”	Jia Yuan Law Offices
“[REDACTED] Investors”	the investors as set out in the section headed “History, Development and Corporate Structure – [REDACTED] Investments – 5. Information on our [REDACTED] Investors” in this document
“[REDACTED] Investment”	investment made by [REDACTED] Investors

DEFINITIONS

[REDACTED]

“province”	each being a province or, where the context requires, a provincial level autonomous region or municipality under the direct supervision of the central government of the PRC
“QIB” or “Qualified Institutional Buyer”	a qualified institutional buyer within the meaning of Rule 144A
“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration Committee”	the remuneration committee of the Board
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Rule 144A”	Rule 144A under the U.S. Securities Act
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAP system”	an acronym for systems, applications, products. It is an enterprise resource planning system and an accounting-oriented information system that provides users with a real-time business application
“SAT”	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“Securities Law”	the Securities Law of the PRC (中華人民共和國證券法), as amended, supplemented or otherwise modified from time to time
“SFC”	the Securities and Futures Commission of Hong Kong

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) in the share capital of our Company with a nominal value of RMB1.00 each
“Shareholder(s)”	holder(s) of the Share(s)
“Shenzhen Research Institute”	CALB Technology (Shenzhen) Co., Ltd.* (凱博能源先進技術研究院(深圳)有限責任公司), a company established under the laws of the PRC with limited liability on May 28, 2021, a direct wholly-owned subsidiary of our Company
“Shunying Investment”	Tianjin Shunying Investment Center (Limited Partnership)*(天津順盈投資中心(有限合夥)), a limited partnership established under the laws of the PRC on June 21, 2019 whose general partner is Hangrong Aviation Industry Equity Investment Management (Tianjin) Co., Ltd.*(航融航空產業股權投資管理(天津)有限公司), an Independent Third Party

[REDACTED]

“Sole Sponsor”	Huatai Financial Holdings (Hong Kong) Limited
“Special Regulations”	the Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (《國務院關於股份有限公司境外募集股份及上市的特別規定》), promulgated by the State Council on August 4, 1994, as amended from time to time
“SRM system”	Supplier relationship management, a comprehensive approach to manage an enterprise’s interactions with the organizations that supply the goods and services it uses

[REDACTED]

“State Council”	the State Council of the PRC (中華人民共和國國務院)
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DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it in section 15 of the Companies Ordinance
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Supervisor(s)”	supervisors of our Company
“Supervisory Committee”	the supervisory committee of our Company
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers, as amended, supplemented or otherwise modified from time to time
“Three Gorges Capital”	Three Gorges Capital Holdings Company Limited* (三峽資本控股有限責任公司), a limited liability company established under the laws of the PRC on March 20, 2015 and owned by China Changjiang Three Gorges Group Co., Ltd.* (中國長江三峽集團有限公司), Changjiang Three Gorges Investment Management Co., Ltd.* (長江三峽投資管理有限公司), China Changjiang Power Joint Stock Co., Ltd.* (中國長江電力股份有限公司), Yunnan Province Energy Investment Group Co., Ltd.* (雲南省能源投資集團有限公司) and Guoxin Guotong (Zhejiang) Investment Fund Partnership (Limited Partnership)* (國新國同(浙江)投資基金合夥企業(有限合夥)) as to 40%, 30%, 10%, 10% and 10%, respectively, one of our [REDACTED] Investors and an Independent Third Party
“Track Record Period”	the period comprising the three years ended December 31, 2019, 2020 and 2021
	[REDACTED]
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder

DEFINITIONS

“US\$” or “U.S. dollar(s)”	United States dollar(s), the lawful currency of the United States
“Wuhan Company”	CALB (Wuhan) Co., Ltd.* (凱博能源科技(武漢)有限公司), a company established under the laws of the PRC with limited liability on July 15, 2021 and owned as to 51% by our Company and 49% by Wuhan Jingkai Investment, a direct non-wholly owned subsidiary of our Company
“Wuhan Industrial Investment Zhongjing”	Wuhan Industrial Investment Zhongjing Equity Investment Partnership (Limited Partnership)* (武漢產投中經股權投資合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on August 2, 2021 whose general partner is Wuhan Zhongjing Rongxin Equity Investment Fund Management Co., Ltd.* (武漢中經融信股權投資基金管理有限公司), one of our [REDACTED] Investors and an Independent Third Party
“Wuhan Jingkai Investment”	Wuhan Jingkai Investment Co., Ltd.* (武漢經開投資有限公司), a company established under the laws of the PRC with limited liability on December 26, 2000, which is wholly owned by State-owned Assets Supervision and Administration Commission of Wuhan Economic and Technological Development Zone (Hannan District)* (武漢經濟技術開發區(漢南區)國有資產監督管理局), one of our [REDACTED] Investors and a connected person of our Company
“Xiamen Company”	CALB (Xiamen) Co., Ltd.* (中航鋰電(廈門)科技有限公司), a company established under the laws of the PRC with limited liability on July 15, 2019 and a direct wholly-owned subsidiary of our Company
“Xiamen Jinli No. 2”	Xiamen Jinli No. 2 Equity Investment Partnership (Limited Partnership)* (廈門金鋰貳號股權投資合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on August 19, 2021 whose general partner is Jinyuan Investment, one of our [REDACTED] Investors and a connected person of our Company

DEFINITIONS

“Xiamen Lihang Equity Investment”	Xiamen Lihang Equity Investment Management Co., Ltd.* (廈門鋰航股權投資管理有限公司), a company established under the laws of the PRC with limited liability on June 26, 2019 and owned by Ms. Liu Jingyu, Dr. Pan Fangfang, Mr. Dai Ying, Mr. Geng Yan’an, Mr. Wang Xiaoqiang and Mr. He Fan as to 40%, 20%, 15%, 15%, 5% and 5%, respectively, one of our Employee Shareholding Platforms
“Xiamen Lihang Kaibo No. 1”	Xiamen Lihang Kaibo No. 1 Equity Investment Partnership (Limited Partnership)*(廈門鋰航凱博壹號股權投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on November 3, 2020 with Changzhou Lihang Industrial being its sole general partner and executive partner, one of our Employees Shareholding Platforms
“Xiaomi Yangtze River Industry”	Hubei Xiaomi Changjiang Industry Fund Partnership (Limited Partnership)* (湖北小米長江產業基金合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on December 7, 2017 whose general partner is Hubei Xiaomi Changjiang Industry Investment Fund Management Co., Ltd.* (湖北小米長江產業投資基金管理有限公司), one of our [REDACTED] Investors and an Independent Third Party
“Yiwu Lexin”	Zhejiang Yiwu Lexin Investment Management Partnership (Limited Partnership)* (浙江義烏市樂信投資管理合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on August 16, 2017 whose general partner is Shanghai Zhengxin Valley Investment Management Co., Ltd.* (上海正心谷投資管理有限公司), one of our [REDACTED] Investors and an Independent Third Party
“Zhongguancun Guosheng”	Beijing Zhongguancun Guosheng Venture Capital Center (Limited Partnership)*(北京中關村國盛創業投資中心(有限合夥)), a limited partnership established under the laws of the PRC on March 21, 2012 whose general partner is Beijing Zhongguancun Guosheng Venture Capital Management Center (Limited Partnership)*(北京中關村國盛創業投資管理中心(有限合夥)), an Independent Third Party

GLOSSARY OF TECHNICAL TERMS

In this document, unless the context otherwise requires, explanations and definitions of certain terms used in this document in connection with our Group and our business shall have the meanings set out below. The terms and their meanings may not correspond to standard industry meanings or usage of these terms.

“Ah”	Amp-hour, battery capacity unit
“ASES”	Alliance Supplier Evaluation Standard used by Renault and Nissan for supplier auditing
“Battery grade lithium carbonate”	Lithium carbonate whose quality reaches the YS/T582-2006 standard, is mainly used in the production of lithium-ion battery materials
“BEV”	Battery Electric Vehicle
“BMS”	Battery Management System
“C”	The nominal capacity of the battery. A charging current of 2C implies that the battery can be fully charged in half an hour
“Carbon silicon anode”	A new type of anode material with carbon as the matrix and silicon as the active material
“Cell”	battery cell
“CNAS”	China National Accreditation Service for Conformity Assessment
“ERP System”	Enterprise Resource Planning System
“ESS”	A device that can store and output power, consists of multiple subsystems such as battery system and energy management system
“EV battery system”	Usually known as the EV battery pack, which is used in electric vehicles and consists of cells, modules, battery management systems and others
“GB 38031”	PRC National Standard: <Electric vehicles traction battery safety requirements>

GLOSSARY OF TECHNICAL TERMS

“GB 38032”	PRC National Standard: <Electric buses safety requirements>
“GB/T 27922: 2011”	PRC National Standard: <Evaluation system for after-sales service of commodity>
“GB/T 31484”	PRC National Standard: <Cycle life requirements and test methods for traction battery of electric vehicle>
“GB/T 31467”	PRC National Standard: <Lithium-ion traction battery pack and system for electric vehicles>
“GB/T 31486”	PRC National Standard: <Electrical performance requirements and test methods for traction battery of electric vehicle>
“GWh”	The unit of electricity, KWh is the degree, 1GWh=1,000,000KWh
“HEV”	Hybrid Electric Vehicle
“Installed capacity”	The volume of battery products installed in NEVs or ESSs, usually expressed in electricity unit of GWh or KWh
“High nickel cathode material”	A ternary cathode material with a high nickel content
“High voltage ternary”	A ternary lithium battery cathode material with high voltage characteristics
“IATF16949”	International technical specification of automotive industry quality management system, which prepared by International Automotive Task Force (IATF) and ISO (International Organization for Standardization)
“Industrial grade lithium carbonate”	Lithium carbonate whose quality reaches the GB11075-2003 standard, with relatively low quality. It is widely used in fields of electrolytic aluminum, textile, refrigerant and others, and also used in the production of lithium chloride, lithium hydroxide and other lithium products

GLOSSARY OF TECHNICAL TERMS

“Iron phosphate”	Iron phosphate, also known as high iron phosphate and iron orthophosphate, with molecular formula FePO_4 , is a white, off-white monoclinic crystal powder, and is a compound used to synthesize lithium iron phosphate battery cathode materials
“ISO9001”	International Quality Management System, which released by ISO (International Organization for Standardization)
“ISO/IEC17025”	Laboratory Management System, which released by ISO (International Organization for Standardization)
“LFP battery”	A lithium-ion battery that uses lithium iron phosphate (LiFePO_4) as the cathode material
“Lithium”	A metal chemical element, of which the element symbol is Li, and the atomic number is 3
“Lithium carbonate”	A common lithium compound with the chemical formula Li_2CO_3 . It is the most widely used lithium product with broad application range. It is classified into industrial grade lithium carbonate, battery grade lithium carbonate and high-purity lithium carbonate due to its different purity levels
“Lithium chloride”	A common lithium compound whose chemical formula is LiCl . It is mainly used in the production of metal lithium, polymer materials, molecular sieves, medicine, food and other industries. Anhydrous lithium chloride refers to lithium chloride without crystal water. Most of the lithium chloride currently used in the market is anhydrous lithium chloride
“Lithium cobalt oxide”	A cathode material for lithium cobalt oxide batteries with the chemical formula LiCoO_2

GLOSSARY OF TECHNICAL TERMS

“Lithium hydroxide”	A common lithium compound whose molecular formula is LiOH. When it comes to lithium hydroxide, it generally refers to lithium hydroxide monohydrate in the industry, which is mainly used in lubricants, purifiers, catalysts and other industries. Lithium hydroxide monohydrate is a common lithium compound whose molecular formula is LiOH.H ₂ O. It is the main lithium hydroxide product in the lithium product market, widely known as lithium hydroxide for short in the industry
“Lithium manganese oxide”	A cathode material for lithium manganese oxide batteries with the chemical formula LiMn ₂ O ₄
“Lithium metal”	Elemental lithium metal, mainly used in lithium alloys, nuclear industry, batteries, aerospace industry manufacturing and other industries. Spodumene refers to an ore containing lithium with LiAl[Si ₂ O ₆] as its chemical formula. It is mainly used in the production of lithium carbonate and the production of additives in the glass and ceramic industries
“Lithium nickel oxide”	A cathode material for lithium nickel oxide batteries with the chemical formula LiNiO ₂
“Module”	Battery module
“MWh”	The unit of electricity, KWh is the degree, 1MWh=1,000KWh
“NCM”	Nickel-cobalt-manganese ternary materials, which can be used as cathode materials for ternary batteries. Given different ratios of nickel, cobalt, and manganese, it can be classified into NCM523, NCM622, NCM811, etc.
“Pack”	Battery pack
“PHEV”	Plug-in Hybrid Electric Vehicle
“QC/T”	PRC Automotive Industry Standard
“QIP”	Quality Improvement Plan

GLOSSARY OF TECHNICAL TERMS

“Solid electrolyte”	A new type of electrolyte in which the electrolyte changes from liquid to solid. According to the content of the electrolyte, it is divided into semi-solid electrolyte, all-solid electrolyte, etc.
“SS”	Start-stop system for micro-hybrid passenger vehicles
“T/CASE”	China Automotive Engineering Association Standard
“Ternary lithium battery”	Lithium-ion battery whose cathode material composes of three elements in two forms: nickel-cobalt-manganese, or nickel-cobalt-aluminum
“V”	Basic unit of voltage
“VDA”	German Association of the Automotive Industry
“Wh/kg”	Watt hour/kg
“°C”	Degree Celsius, the unit of temperature measurement on the Celsius scale

FORWARD-LOOKING STATEMENTS

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

We have included in this document forward-looking statements that are not historical facts but relate to our intentions, beliefs, expectations or predictions for future events and conditions which may not occur. Even though these statements have been made by our Directors after due and careful consideration and on bases and assumptions that we believe are fair and reasonable at the time, they nevertheless involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Some of the risks are listed in “Risk Factors” and elsewhere in this document. In some cases, you can identify these forward-looking statements by words such as “aim,” “anticipate,” “believe,” “continue,” “could,” “expect,” “intend,” “may,” “might,” “plan,” “potential,” “predict,” “project,” “propose,” “seek,” “should,” “will,” “would” or similar expressions, or their negatives. These forward-looking statements include, without limitation, statements relating to:

- any changes in the laws, rules and regulations of the central and local governments in the PRC and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business and our business plans;
- our business and operating strategies and our ability to implement such strategies;
- our ability to control or reduce costs;
- our capability to identify and integrate suitable acquisition targets;
- expected growth of and changes in the EV battery industry;
- our ability to maintain good relationships with relevant governmental authorities;
- our ability to work closely with customers or suppliers;
- our future business development, results of operations and financial condition;
- the future competitive environment for the EV battery industry;
- determination of the fair value of our Shares;
- our dividend policy;
- capital market development;

FORWARD-LOOKING STATEMENTS

- exchange rate fluctuations and restrictions; and
- risks identified under “Risk Factors” of this document.

This document also contains market data and projections that are based on a number of assumptions. The markets may not grow at the rates projected by the market data, or at all. The failure of the markets to grow at the projected rates may materially and adversely affect our business and the market price of our Shares. In addition, due to the rapidly changing nature of the PRC economy and the EV battery industry, projections or estimates relating to the growth prospects or future conditions of the markets are subject to significant uncertainties. If any of the assumptions underlying the market data prove to be incorrect, actual results may differ from the projections based on these assumptions. You should not place undue reliance on these forward looking statements.

We do not guarantee that the transactions and events described in the forward-looking statements in this document will happen as described, or at all. Actual outcomes may differ materially from the information contained in the forward-looking statements as a result of a number of factors, including, without limitation, the risks and uncertainties set forth in “Risk Factors” in this document. You should read this document in its entirety and with the understanding that actual future results may be materially different from what we expect. The forward-looking statements made in this document relate only to events as of the date on which the statements are made or, if obtained from third-party studies or reports, the dates of the respective studies or reports. Since we operate in an evolving environment where new risks and uncertainties may emerge from time to time, you should not rely upon forward-looking statements as predictions of future events. We undertake no obligation, beyond what is required by law, to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made, even when our situation may have changed.

RISK FACTORS

You should carefully consider all of the information set out in this document before making an investment in the Shares, including the risks and uncertainties described below in respect of our business and our industry and the [REDACTED]. If any of the possible events described below occur, our business, financial condition or results of operations could be materially and adversely affected and the market price of the Shares could fall significantly.

RISKS RELATING TO OUR INDUSTRY AND BUSINESS

Our success as a leading EV battery company depends to a great extent on our R&D capabilities and failure of our technology and product R&D efforts to meet our expectations may hurt our competitiveness and profitability.

Technological innovation is critical to our success. At the same time, as a leading EV battery company, we make significant investments in product R&D, which we believe are crucial factors for our future growth and prospects. In order to maintain and expand our competitive advantage, we need to devote more resources.

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

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

We have limited operating history in the EV battery industry and our ability to develop, manufacture and deliver EV batteries is still evolving, and we may not be successful in expanding our operations or managing our growth effectively.

We experienced significant growth during the Track Record Period. In order to meet rapidly growing demands for quality products by our customers, in the past few years, we have grown rapidly, built up or expanded our production capacity, and recruited, trained and managed employees. The success of new capacity projects is affected by a number of factors beyond our control, such as construction progress, local laws and regulations, government support and

RISK FACTORS

customer demand for expanded capacity. Our future operating results depend to a large extent on our ability to manage our expansion and growth successfully. Risks that we face in undertaking our construction/expanding plan, among others:

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

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

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

The sustainability of our business depends, in large part, on our ability to efficiently execute our plan to develop, manufacture, and deliver on a large-scale products with high quality meeting demands of our customers. Aforementioned capacities will be subject to risks, including with respect to delays or disruptions in our supply chain, delays in the R&D of technologies necessary for our products, quality control deficiencies, compliance with environmental, workplace safety, and relevant regulations, and cost overruns. Any of the foregoing could materially and adversely affect our business, financial condition and results of operations.

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Moreover, we rapidly expanded our production capacity during the Track Record Period. For further details of our production capacity, please see “Business – Manufacturing and Production”. The success of our future construction/expansion projects depends on a few factors beyond our control, including construction conducted by third party construction companies and local laws and regulations. Such projects may also be subject to delays that are beyond our control. Furthermore, as we expand our business operations in the future, we expect to incur additional depreciation and operational expenses. Such expenses can increase as a percentage of our revenue in the future and adversely impact our profitability. Accordingly, we may not be able to achieve the construction/expansion of our operation or the management of our growth in a timely or cost-effective manner. If we are unable to manage our growth effectively, we may not be able to take advantage or market opportunities, execute our business strategies, or respond to competitive pressures which could have a material and adverse effect on our results of operations and prospects.

At the same time, the EV battery industry in the PRC is dominated by a limited number of battery companies. According to Frost & Sullivan, in 2021, the top three EV battery manufacturers accounted for 74.2% of EV battery installed capacity in China. We face intense market competition. If we fail to compete effectively, our business, financial condition and results of operations could be materially adversely effected.

We are exposed to price fluctuations of raw materials.

Raw materials have a great impact on our cost of sales. We have established close cooperative relationship with our suppliers. Please see “Business – Suppliers” for details. The current or expected supply of our major raw materials may fluctuate depending on a number of factors, including but not limited to the availability of resources in the raw materials market, market demand, potential speculation, market disruptions, natural disasters and other factors. We may not be able to ensure that we continue to obtain stable, high-quality raw materials at reasonable prices. Raw materials applied to our products primarily include cathodes, anodes, electrolyte and separators. According to Frost & Sullivan, the price of our raw materials have increased significantly in 2021. Please see the section headed “Industry Overview – Overview of EV Battery Market” for further details of our raw material price changes. Increases in the price of raw materials we need may materially and adversely affect our business, financial condition and results of operations.

We purchase a substantial portion of raw materials from a number of major suppliers. For the years ended December 31, 2019, 2020 and 2021, purchase from our top five suppliers was RMB2,311.4 million, RMB1,576.8 million and RMB5,366.5 million, respectively, accounted for approximately 66.3%, 45.3% and 46.7% of our total purchase amount for the corresponding period. The purchase from our largest supplier accounted for RMB913.6 million, RMB634.0 million and RMB2,976.1 million, representing approximately 26.2%, 18.2% and 25.9% of our total purchase amount for the corresponding period. If we are unable to purchase sufficient amounts of raw materials from these suppliers, or the quality of such raw materials decreases,

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the overall productivity and profitability of our operations would be materially and adversely affected, and therefore our business, financial condition and results of operations would be materially and adversely affected.

Our business is subject to the market forces in the EV battery industry and our results are dependent in part on the changes in industries of our customers and market demand for their end products.

We are heavily exposed to the market forces in the EV battery industry, and the demand in end markets for products in which EV battery is used. The demand for EV battery is dependent on factors such as use of EV battery in end markets, new technological developments resulting in new product and/or technology substitutions, and general economic conditions. The demand for EV batteries has been growing rapidly in recent years, mainly due to the explosive growth in demand for NEVs. For details of the growth in NEV market, please see the section headed “Industry Overview”. Moreover, our customers generally work with us to design and develop our products for use in their end products, such as NEVs and ESS. Accordingly, demand for our products depends in part on the demand for the end products from consumers, and the pace of industry acceptance and adoption of new technologies or standards, and any reduction in demand or activity in such industries could cause our customers to reduce their orders from us, which may materially impact our business, financial condition and results of operations.

The PRC government has been focusing on developing the NEVs industry and has introduced incentives to encourage domestic purchase of NEVs. As EV batteries form a key component of NEVs, we believe that the market for high quality EV batteries has good growth potential. However, there is no assurance that the demand for EV batteries will continue to increase. In addition, if a more substitute for EV batteries gains market acceptance and/or if we fail to anticipate the industry trends of the end markets that we serve, our business, financial condition, results of operations and prospect may be materially and adversely affected.

We may not be able to prevent the unauthorized use of our intellectual property rights by others, which could damage our business and competitive position.

We rely primarily on a combination of our patents, trade secrets, trademarks, the confidentiality agreements signed by the employees, and confidentiality agreements signed with the third parties to protect our intellectual property rights. As of the Latest Practicable Date, we were not involved in legal proceedings against parties who we believe are infringing upon our intellectual property rights. Please see “Business – Intellectual Property” and “Appendix VI Statutory and General Information – B. Intellectual Property Rights”. To protect our intellectual property rights and maintain our competitive advantage, we may engage in legal proceedings against parties who we believe are infringing upon our intellectual property rights. Legal proceedings are often costly and may divert management attention and our resources away from our business. In certain situations, we may have to initiate legal proceedings in foreign jurisdictions, in which case we are subject to additional risks as to the result of the proceedings and the amount of damages that we can recover.

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We may be involved in intellectual property infringement claims and invalidation applications, which may be time-consuming and result in us bearing expenses.

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

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

The validity and scope of any potential claims/requests can be complicated and involve complex scientific, legal and factual questions and analysis and, therefore, may be highly uncertain. The defense and prosecution of intellectual property suits, patent opposition proceedings and related legal and administrative proceedings or requests can be both costly and time consuming and may significantly divert the efforts and resources of our management. A determination in any such litigation or proceedings or requests to which we are a party may invalidate our patents, subject us to pay damages to third parties, require us to seek licenses from third parties, pay ongoing royalties, or redesign our products or subject us to injunctions prohibiting the manufacture and sale of our products or the use of our technologies. Any of the aforementioned may impact our business, financial condition and results of operations. Please see “Business – Regulatory Compliance and Legal Proceedings – Intellectual Property Infringement Claims” and “Business – Regulatory Compliance and Legal Proceedings – Patent Invalidation Applications” for details.

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We have a high concentration of customers.

For the years ended December 31, 2019, 2020 and 2021, our revenue from the top five customers was approximately RMB1,398.5 million, RMB2,352.8 million and RMB5,647.0 million, accounting for 80.7%, 83.2% and 82.9% of our total revenue during the period, respectively. During the same period, our revenue from the largest customer was RMB686.4 million, RMB1,557.5 million and RMB3,537.1 million, accounting for 39.6%, 55.1% and 51.9% of our total revenue during the period, respectively. Please see “Business – Sales and Marketing – Customer Concentration”.

Therefore, we may be affected by risks arising from the customer concentration. We cannot assure that our major customers will not change their business scope or business model nor suspend their operation, while maintaining their operation in compliance with applicable laws with holding appropriate operating licenses and approvals, or they will not encounter any operating or financial difficulties. Any material adverse changes in the business, operation and financial conditions of such customers may have a material adverse effect on us, and if we are unable to identify suitable new customers within a reasonable period of time, our business, financial condition and results of operation may be adversely affected.

We may be subject to risks associated with EV batteries and we may not have adequate insurance to cover against such claims. At the same time, we may not be able to obtain/purchase adequate insurance for losses and liabilities arising from various operational risks and hazards to which we are exposed.

Since inception, we have designed, manufactured and sold quality products that are safe and reliable. However, the lithium-ion batteries that we produce which on rare occasions can cause damage. Accordingly, we face inherent risk of exposure to claims when our products malfunction resulting in property damage, personal injury, or death. Our battery management system automatically monitors temperature, power output, and other status of EV batteries, including a thermal management system that keeps the temperature of EV batteries within an ideal range. However, our batteries may still experience defects, which could subject us to lawsuits, product recalls, or redesign efforts, all of which would be time consuming and expensive. Product liability claims against us could require us to pay substantial monetary compensation. Moreover, a product liability claim could generate substantial negative publicity about our products and business and inhibit or prevent commercialization of our future products, which would materially and adversely affect our brand, business, prospects, and results of operations. Any insurance coverage might not be sufficient to cover all potential product liability claims.

In addition, our business is subject to a variety of operational risks, including production disruptions due to operational errors, power outages, equipment failures and suspension due to other risks; operational restrictions imposed by environmental or other regulatory requirements; social, political and labor unrest, environmental or industrial accidents, and catastrophic incidents such as fires, earthquakes, explosions, floods or other natural disasters. In addition, we may further expand our operations in overseas markets in the future, we may

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be exposed to risks related to geopolitical tensions, policy changes and intellectual property and technology protection. These aforementioned risks may result in, including but not limited to, damage to or destruction of production facilities, personal injury or casualties, environmental damage, monetary loss, and legal liability. The occurrence of any of these events may result in disruption of our operations and cause us to suffer substantial losses or incur significant liabilities. We may not have adequate or any insurance to cover these operational risks. We maintain property insurance, product liability insurance and employee insurance for our business operations. There is no assurance that our insurance will be adequate to cover such material accidents. If we incur material losses or liabilities, and insurance is not adequate to cover such losses or liabilities, our business, financial condition and results of operations may be materially and adversely affected.

Our financial result may be affected by government grants.

We received government grants of RMB308.6 million, RMB134.9 million and RMB364.5 million for the years ended December 31, 2019, 2020 and 2021, respectively. Not all of the government grants are recurring in nature. Government grants we received are uncertain and are subject to certain criteria and procedures stipulated by the local government. In addition, the development focus of local government may shift to other industries over time. We cannot assure you that we will be able to receive any such government grants in the future. If we are unable to receive the government grants in the future as we received at the same level during the Track Record Period, our profitability for the period may be adversely affected.

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

We depend on the supply of energy to maintain our production processes. Our production volume and production costs are affected by price and supply of energy. The price of energy are subject to a number of factors which may be beyond our control, including inflation, supplier capacity constraints, general economic conditions, commodity price fluctuations, demand from other industries for energy, and local and national regulatory requirements. Furthermore, we cannot assure that unexpected and serious shortages of energy will not occur in the future or that we will be able to pass on any cost increases to our customers. Any possible changes in the power consumption policies, especially those leading to rising prices of energy could adversely affect our business, financial condition, results of operations and prospects. Significant fluctuations in such costs may have a material effect on our profitability if we are unable to adjust the price of our products accordingly and may also negatively affect our competitive advantage. If we are unable to pass increased costs onto our consumers, which will result in a decrease of our profit margins. Moreover, if the supply of energy is affected by natural disasters, adverse weather conditions, suppliers' equipment failures, disruptions in transport or other inclement factors, we may not be able to locate alternative sources of supply and/(or) at acceptable prices. Any such events may have a material adverse effect on our business, financial condition and results of operations.

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

Our products are applied to our customer’s final products. New legislations or changes in the PRC regulatory requirements regarding these end markets may affect our business, financial condition, results of operations and prospects. For example, the PRC government has promulgated, amended and updated a number of legislations in relation to the NEVs market. On June 28, 2012, the State Council of PRC approved the Energy-saving and New Energy Automobile Industry Development Plan (2012-2020) (《節能與新能源汽車產業發展規劃(2012-2020年)》) (國發[2012]22號), granting supports and subsidies to NEVs and hybrid vehicles. On July 14, 2014, the General Office of the State Council issued the Guiding Opinion of the General Office of the State Council on Accelerating the Popularization and Application of New Energy Vehicle (《國務院辦公廳關於加快新能源汽車推廣應用的指導意見》) (國辦發[2014]35號) to grant further tax incentives and exemptions for NEVs. On March 13, 2015, the Ministry of Communications issued the Opinions on Accelerating the Promotion and Application of New Energy Vehicles in the Transportation Industry (《關於加快推進新能源汽車在交通運輸行業推廣應用的實施意見》) (交運發[2015]34號). A preferential vehicle licensing system has also been introduced in several cities in the PRC to further encourage the purchases of NEVs. On October 20, 2020, the State Council issued the “Development Plan for New Energy Automobile Industry (2021-2035)” (Guobanfa [2020] No. 39) (《新能源汽車產業發展規劃(2021-2035年)》) (國辦發[2020]39號), proposing to achieve the large-scale application of highly autonomous vehicles through a 15-year effort. In addition, in the context of the national goal of carbon neutral, China energy storage market welcomes a series of favorable policies. For instance, Action Plan for Carbon Dioxide Peaking Before 2030 issued by the State Council in 2021 unveiled a series of action plan to accelerate the energy storage development. We may need to change or adapt our business focuses from time to time in response to the new rules and regulations regarding the end markets of our products, but we may also not be able to do so timely and efficiently. Any new legislations or changes in the PRC regulatory requirements could materially and adversely affect our business, financial condition and results of operations. Please see the section headed “Regulatory Overview” for further details.

Our business was and may be interrupted by the COVID-19 pandemic.

In response to the COVID-19 pandemic, the PRC government enacted a number of measures, including implementing mandatory quarantine, requiring residents to remain at home and to avoid gathering in public. The COVID-19 pandemic has also resulted in the temporary closure of many corporate offices, retail stores and manufacturing facilities across the country. Manufacturing facilities were required to be closed down for an extended period of time. While we didn’t experience temporary closure of our offices and manufacturing facilities as of the Latest Practicable Date, we may incur additional costs for dealing with the COVID-19 pandemic, such as the costs to maintain sanitation and invest in supervisory devices. Many of the restrictions on movements within the PRC had been relaxed as of the Latest Practicable Date, but there is still uncertainty as to the future progress and impact of the

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disease and thus, we may still be subject to operational restrictions. The demand from our customers may fluctuate due to COVID-19 pandemic, thus our business, financial condition, results of operations and prospects may in turn be affected, and may continue to be affected in the future.

We are dependent upon third parties for various services in connection with our business.

During the Track Record Period, we relied on third-party service providers for services in connection with our business. We obtain services from third-party service providers who we believe are able to meet our specifications and requirements. However, the services provided by any of the third-party service providers may not be provided in a timely manner and as we may have limited control on customers who may resell our products, the services provided by them may not be of satisfactory quality. If the third-party service providers do not perform satisfactorily, substantially reduce the amount and scope of services provided to us, substantially increase the prices of their services or terminate their business relationship with us, we may need to replace the third-party service providers or take other remedial actions which could increase our costs of operations. As we do not have direct control over the third-party service providers, if they become involved in the unauthorized provision of services not complying with our requirements or that of our customers, our reputation in the industry will be affected. Our reputation in the industry will also be adversely affected if the third-party service providers do not comply with applicable laws and regulations. This, in turn, may materially and adversely affect our business, financial condition and results of operations.

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

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

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

We believe that we have a good working relationship with our employees. We have not experienced any material work stoppages, strikes or other major labor problems in the past. However, there is no assurance that any of such events will not arise in the future. If our employees were to engage in a strike or other work stoppage, we could experience significant disruption of our operations and/or higher on-going labor costs, which may have an adverse effect on our businesses, financial condition and results of operations. As of December 31, 2021, we had 3,222 employees. Some of our employees are currently represented by labor unions. In addition, employees of some of our suppliers or customers may become unionized in the future or experience labor instability and we may not be able to predict the outcome of any future labor negotiations. Any conflicts between us and our employees’ labor union or between our suppliers and customers and their respective unions (if any) could have an adverse effect on our financial condition and results of operations.

In addition, labor costs in regions where we operate have been increasing in recent years and could potentially continue to increase. If labor costs in these regions continue to increase, our production costs will increase. We may not be able to pass on these increased costs to customers by increasing the selling prices of our products in light of competitive pressure in the markets where we operate. In such circumstances, our profit margin may decrease, which could have an adverse effect on our financial condition and results of operations.

Some employees may have disputes with us over social insurance and housing provident fund.

In accordance with applicable PRC laws and regulations, we are obliged to contribute to social insurance and housing provident funds for our employees. During the Track Record Period, some employees might have disputes with us over social insurance and housing provident funds. We have made provisions in the amounts of RMB4.5 million, RMB3.2 million and RMB15.8 million to our consolidated statements of profit or loss in respect of such potential liabilities for the years ended December 31, 2019, 2020 and 2021, respectively, for certain of our PRC subsidiaries. In case of relevant disputes, according to the Social Insurance Law of the PRC (中華人民共和國社會保險法), the relevant PRC authorities may demand that we pay the outstanding social insurance contributions within a stipulated deadline and we may be liable for a late payment fee equal to 0.05% of the outstanding social insurance fee contribution amount for each day of delay. If we fail to make such payments, we may be liable to a fine of one to three times the outstanding contribution amount. In which case, our financial condition and results of operations may be materially and adversely affected.

RISK FACTORS

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

We may be subject to anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions, and similar laws and regulations in various jurisdictions in which we conduct activities. We have direct or indirect interactions with officials and employees of government agencies and state-owned affiliated entities in the ordinary course of business. We also have business collaborations with government agencies and state-owned affiliated entities. These interactions subject us to an increasing level of compliance-related concerns. We have adopted policies and procedures designed to ensure compliance by us and our directors, officers, employees, representatives, consultants, agents, and business partners with applicable anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions, and similar laws and regulations. However, our policies and procedures may not be sufficient, and our directors, officers, employees, representatives, consultants, agents, and business partners could engage in improper conduct for which we may be held responsible.

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

We are dependent upon our senior management team and highly qualified personnel with specialized skills, and our business, results of operations and financial condition may suffer if there are significant changes in our senior management team.

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

RISK FACTORS

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

Our trade receivables turnover days were 134 days for the year ended December 31, 2019, 91 days for the year ended December 31, 2020 and 81 days for the year ended December 31, 2021. As of December 31, 2019, 2020 and 2021, our trade and bills receivables amounted to approximately RMB1,141.9 million, RMB1,246.3 million and RMB2,714.7 million, respectively. Should the credit worthiness of our customers deteriorate or should a significant number of our customers fail to settle their trade and bills receivables in full for any reason, we may incur impairment losses and our results of operations and financial position could be materially and adversely affected. In addition, there may be a risk of delay in payment by our customers from their respective credit period, which in turn may also result in an impairment loss provision. There is no assurance that we will be able to fully recover our trade and bills receivables from the customers or that they will settle our trade and bills receivables in a timely manner. In the event that settlements from customers are not made on a timely manner, or at all, our financial condition and results of operations may be materially and adversely affected.

Any financial or economic crisis, or perceived threat of such a crisis, including a significant decrease in consumer confidence, may materially and adversely affect our business, financial condition, and results of operations.

The global financial markets experienced significant disruptions in 2008 and the United States, European and other economies went into recession. The recovery from the lows of 2008 and 2009 was uneven and the global financial markets are facing new challenges, including the escalation of the European sovereign debt crisis since 2011, the recent geopolitical conflicts relating to Ukraine, the end of quantitative easing by the U.S. Federal Reserve, the economic slowdown in the Eurozone since 2014, uncertainties over the impact of Brexit, the ongoing trade disputes and tariff wars between U.S. and China, and the impact of COVID-19 outbreak and the related economic policies taken by various governments in the world. It is unclear whether these challenges will be contained and what effects they each may have. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies that have been adopted by the central banks and financial authorities of some of the world's leading economies, including China's. Economic conditions in China are sensitive to global economic conditions. Any prolonged slowdown in China's economic development might lead to tighter credit markets, increased market volatility, sudden drops in business and consumer confidence and dramatic changes in business and consumer behaviors. Sales of our customers' end products depend in part on discretionary consumer spending and are even more exposed to adverse changes in general economic conditions. In response to their perceived uncertainty in economic conditions, consumers might delay, reduce or cancel purchases of our customers' end products, which may in turn materially and adversely affect our results of operations indirectly.

RISK FACTORS

We may be subject to penalties from the PBOC or adverse judicial rulings as a result of incurring loan financings by related parties.

During the Track Record Period, we incurred loans from related parties. As of the Latest Practicable Date, the principal and related interests of these loans had been fully repaid or converted into paid-in capital. According to the General Lending Provisions (貸款通則) promulgated by the PBOC, only financial institutions may legally engage in the business of extending loans, and loans between companies that are not financial institutions are prohibited. The PBOC may impose a fine of one to five times of the income generated (being interests charged) from the loan advancing activities between enterprises. However, according to the Provisions of the Supreme People’s Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases (最高人民法院關於審理民間借貸案件適用法律若干問題的規定), which became effective on September 1, 2015 and was revised on August 20, 2020 and December 29, 2020, the validity of inter-company loan agreements which are for the needs of production and operations should be generally supported by the people’s courts, except where they are deemed as invalid contracts under the Private Lending Provisions and the Civil Code of the PRC (中華人民共和國民法典).

As of the Latest Practicable Date, we had not been subject to any administrative penalties, investigations, enforcement actions or received any notice from any regulatory authority with respect to potential administrative penalties, investigations or enforcement actions as a result of our incurring of the related party loans described above. However, the final determination of the relevant regulatory authorities could be different, and we may be subject to penalties from the PBOC or adverse judicial rulings as a result of our provision of loan financings to related parties during the Track Record Period or any prior periods. Any of these penalties or adverse judicial rulings could have a material adverse effect on our business, financial condition and results of operations.

We may experience delays in obtaining the relevant PRC governmental approvals, licenses or permits for our new construction/expansion projects.

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

RISK FACTORS

RISKS RELATING TO DOING BUSINESS IN THE PRC

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

The majority of our operations are located in the PRC, particularly our manufacturing operations. As a result, our results of operations, financial condition and prospects are substantially affected by economic, political, social and legal developments in the PRC. In general, the Chinese government regulates its economy and related industries through implementation of industrial policies, and regulates the macro-economy of the PRC through fiscal and monetary policies. Over the last few decades, the Chinese government adopted a number of measures to promote its market economy and encourage the corporate entities to establish sound corporate governance. The Chinese government also exercised a significant impact on China’s economic growth through strategic resource allocation, control of foreign currency denominated debt payments, monetary policy and preferential treatment for specific industries or companies. Although China’s economy has been growing significantly over the last few decades, the growth rate has slowed down as China suffered from the impact of the COVID-19 pandemic on its economy in 2020 and 2021, which is likely to continue in the future. Due to the current economic, political, social and regulatory developments, it may be difficult for us to predict all the risks and uncertainties we may face, and a slow-down of China’s economy may reduce our customers’ demand for our products and services, which could have a material adverse effect on our business and operating results. In addition, any significant changes in Chinese government’s policies or China’s laws could have a material impact on China’s overall economic growth.

Adverse developments in the PRC’s economy or an economic slowdown in the PRC may reduce the demand for our products and services and have a material adverse effect on our business, financial condition, results of operations and prospects.

We conduct our business and generate substantially all of our revenue in the PRC. As a result, economic developments in the PRC have a significant effect on our business, financial condition and results of operations, as well as our prospects. In recent years, the PRC has been one of the world’s fastest growing economies in terms of GDP growth. However, the COVID-19 outbreak has caused disruption to the global economy. The global economy may continue to deteriorate in the future and continue to have an adverse impact on the PRC’s economy. Any significant slowdown in the PRC’s economy could have a material adverse effect on our business and operations. In particular:

- during a period of economic slowdown, there is a greater likelihood that more of our customers or contractual parties could become delinquent in respect of their obligations to us;
- we may not be able to raise additional capital on favorable terms, or at all; or

RISK FACTORS

- trade and capital flows may further contract as a result of protectionist measures introduced in certain markets, which could cause a further slowdown in economies and materially and adversely affect our business and prospects.

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

As such, if the PRC's economy experiences significant adverse developments or a significant downturn, our business, financial condition and results of operations would be materially and adversely affected.

Uncertainties with respect to the PRC's legal system could limit the legal protections available to you and us. Holders of H Shares may not be able to enforce their rights successfully as shareholders in the PRC according to the PRC Company law or Hong Kong regulatory provisions.

Substantially all of our operating subsidiaries are incorporated under and governed by the laws of the PRC. The PRC's legal system is based on written statutes. Prior court decisions may be cited for reference, but have limited precedential value. In 1979, the Chinese government began to promulgate a comprehensive system of laws and regulations governing economic matters in general, such as foreign investment, corporate organization and governance, commerce, taxation and trade. As a significant part of our business is conducted in the PRC, our operations are principally governed by the PRC laws and regulations. However, since the PRC's legal system continues to evolve rapidly, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involves uncertainties, which may limit legal protections available to us. Furthermore, certain important aspects of PRC Company Law are different from the corporate laws of common law jurisdictions such as Hong Kong and the United States, particularly with respect to investor protection, such as shareholder class action suits and measures protecting non-controlling shareholders; restrictions on directors; disclosure requirements; different rights of classes of shareholders; general meeting procedures and disbursement of dividends. Our Articles of Association include provisions in accordance with the Listing Rules. Although such provisions have been included, we cannot assure you that no discrepancy exists between the protections given to our investors and those given to investors in companies formed in common law jurisdictions. Intellectual property rights and confidentiality protections in the PRC may not be as effective as in the United States or other countries. In addition, we cannot predict the effect of future developments in the PRC's legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the preemption of local regulations by national laws. These uncertainties could limit the legal protections available to us and other foreign investors, including you. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of our resources and management attention.

RISK FACTORS

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

Non-PRC resident individual holders of H Shares whose names appear on the register of members of H Shares (“**Non-PRC Resident Individual Holders**”) are subject to the PRC individual income tax on dividends received from us. Pursuant to the Circular on Questions Concerning the Collection of Individual Income Tax Following the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348) (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) (國稅函[2011] 348號) dated June 28, 2011 and issued by the SAT of the PRC, the tax rate applicable to dividends paid to Non-PRC Resident Individual Holders of H Shares varies from 5.0% to 20.0%, depending on whether there is any applicable tax treaty between the PRC and the jurisdiction in which the Non-PRC Resident Individual Holder of H Shares resides, as well as the tax arrangement between the PRC and Hong Kong. Non-PRC Resident Individual Holders who reside in jurisdictions that have not entered into tax treaties with the PRC are subject to a 20.0% withholding tax on dividends received from us. In addition, under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) and its implementation regulations, Non-PRC Resident Individual Holders of H Shares are subject to individual income tax at a rate of 20.0% on gains realized upon the sale or other disposition of H Shares. However, pursuant to the Circular Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) issued by the MOF of the PRC and the SAT on March 30, 1998, gains of individuals derived from the transfer of listed shares of enterprises may be exempt from individual income tax. Based on our knowledge, as of the Latest Practicable Date, the PRC tax authorities have not in practice sought to collect individual income tax on such gains. If such tax is collected in the future, the value of such individual holders’ investments in H Shares may be materially and adversely affected.

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

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tax on gains derived upon the sale or other disposition of H Shares will be collected from non-PRC resident enterprise holders of H Shares. If such tax is collected in the future, the value of such non-PRC resident enterprise holders’ investments in H Shares may be materially and adversely affected.

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

Pursuant to the EIT Law, a high and new-technology enterprise may enjoy a preferential enterprise income tax rate of 15%. Our Company and Jiangsu Research Institute, our wholly owned subsidiary received approval by competent government authorities, and had obtained high and new-technology certificates with the validity period of three years, which have expired on December 2, 2021 and November 29, 2021, respectively. We have reapplied for the high and new-technology enterprises recognition of our Company and Jiangsu Research Institute. As of the Latest Practicable Date, the high and new-technology enterprises recognitions for our Company and Jiangsu Research Institute have been reviewed and adopted by Jiangsu Provincial Certification Organization Office (江蘇省認定機構辦公室), and pending to obtain the new high and new-technology certificates.

Despite being eligible for the high and new-technology enterprise rate during the Track Record Period, there is no assurance that we would remain qualified as a high and new-technology enterprise so as to enjoy the high and new-technology enterprise tax rate after the expiry of the Certificate of High and New-Technology Enterprise, in which case our Group and our subsidiaries will be subject to the normal enterprise income tax rate of 25% as for all PRC enterprises. The effective tax rate will therefore significantly increase and may materially and adversely affect our profitability, which may have a material adverse effect on our business, results of operations and financial condition. Also, there can be no assurance that the EIT Law, its application or its interpretation will not continue to change, in which case our effective income tax rate may increase significantly.

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

Most of our Directors and executive officers reside within the PRC, and most of our assets and substantially all of the assets of those persons are located within the PRC. It may not be possible for investors to effect service of process upon us or those persons inside the PRC or to enforce against us or them in the PRC any judgments obtained from non-Chinese courts. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts in the United States, the United Kingdom, Japan or most other western countries. However, judgments rendered by Hong Kong courts may be recognized and enforced in the PRC if the requirements set forth by the Arrangement on Mutual Recognition and Enforcement of Judgments in Civil and Commercial Matters by Courts of Mainland and of the Hong Kong Special Administrative Region Pursuant to Agreed Jurisdiction by Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) are met.

RISK FACTORS

Therefore, recognition and enforcement in the PRC of judgments of a court in any of these jurisdictions other than Hong Kong in relation to any matter not subject to binding arbitration provisions may be difficult or impossible.

Our Articles of Association provide that dispute between holders of our H Shares and us, our Directors, Supervisors or senior management, arising out of our Articles of Association, PRC Company Law and related regulations concerning our business and activities, are to be resolved through arbitration by the China International Economic and Trade Arbitration Commission or the Hong Kong International Arbitration Centre. Awards made by the PRC arbitral authorities recognized under the Hong Kong Arbitration Ordinance can be enforced in Hong Kong. Hong Kong arbitral awards are also enforceable in the PRC, subject to the satisfaction of certain PRC legal requirements. However, we are uncertain whether any action brought in the PRC to enforce an arbitral award made in favor of holders of H Shares would succeed.

The Chinese government's control over foreign currency conversion may adversely affect our business and results of operations and our ability to remit dividends.

Conversion and remittance of foreign currencies are subject to the Chinese foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate, we shall have sufficient foreign exchange to meet our foreign exchange needs. Under the Chinese current foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the SAFE, but we are required to present relevant documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within the PRC that have the licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account, however, normally need to be approved by or registered with the SAFE or its local branch unless otherwise permitted by law. The Chinese government may also at its discretion restrict access in the future to foreign currencies for current account transactions. Any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to shareholders or satisfy any other foreign exchange obligation. If we fail to obtain approvals from the SAFE to convert RMB into any foreign exchange for any of the above purposes, our potential offshore capital expenditure plans and even our business may be materially and adversely affected.

The enforcement of Chinese labor contract law, social insurance law and other labor related regulations may materially affect our business, financial condition and results of operations.

Pursuant to the Labor Contract law of the PRC and its implementation rules, employers are subject to strict requirements in terms of signing labor contracts, minimum wages, paying remuneration, overtime working hours limitations, determining the term of employees' probation and unilaterally terminating labor contracts. In the event that we decide to terminate the employment of some of our employees or otherwise change our employment or labor practices, the Labor Contract Law and its implementation rules may limit our ability to effect those changes in a desirable or cost-effective manner, which could adversely affect our business and results of operations. As confirmed by our PRC Legal Advisor, based on the confirmation letters issued by the competent government authorities, we were not subject to

RISK FACTORS

any significant administrative penalties for violating labor laws and regulations during the Track Record Period. However, if we were found to be in violation with the overtime working hours limitations as stipulated in the Labor Law of the PRC, it may subject us to a fine that ranges from RMB100 to RMB500 per person from local government authorities and we may be requested to take rectification measures to reduce the overtime working hours of our production employees.

On October 28, 2010, the Standing Committee of the National People’s Congress promulgated the Social Insurance Law of the PRC, which became effective on July 1, 2011 and was recently amended and effective on December 29, 2018. According to the Social Insurance Law, employees must participate in pension insurance, work-related injury insurance, medical insurance, unemployment insurance and maternity insurance and the employers must, together with their employees or separately, pay the social insurance premiums for such employees.

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

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

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

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

RISK FACTORS

Inflation in the PRC could negatively affect our profitability and growth.

Economic growth in the PRC has, during certain periods, been accompanied by periods of high inflation, and the Chinese government has implemented various policies from time to time to control inflation. For example, the Chinese government introduced measures in certain sectors to avoid overheating of the Chinese economy, including increasing interest rates and capital reserve thresholds at Chinese commercial banks. The effects of the stimulus measures implemented by the Chinese government since the global economic crisis that commenced in 2008 and the continued growth in the overall economy since then have resulted in sustained inflationary pressures. If these inflationary pressures continue and are not mitigated by Chinese government measures, our cost of sales will likely increase and our profitability could be materially reduced, as there is no assurance that we would be able to pass any cost increases onto our customers.

RISKS RELATING TO THE [REDACTED]

An active trading market for our H Shares may not develop.

Prior to the [REDACTED], there was no public market for our H Shares. We cannot assure you that a public market for our H Shares with adequate liquidity will develop and be sustained following the completion of [REDACTED]. In addition, the [REDACTED] of our H Shares is expected to be fixed by agreement between the [REDACTED] (on behalf of the [REDACTED]) and us and may not be indicative of the market price of our H Shares following the completion of the [REDACTED]. If an active public market for our H Shares does not develop following the completion of the [REDACTED], the market price and liquidity of our H Shares could be materially and adversely affected.

The market price and trading volume of our H Shares may be volatile, which could result in substantial losses for investors who purchase our H Shares in the [REDACTED].

The market price and trading volume of our H Shares may be highly volatile. Several factors, some of which are beyond our control, such as variations in our revenue, earnings and cash flow, changes in our pricing policy for products or services as a result of competition, the emergence of new technologies, strategic alliances or acquisitions, the addition or departure of key personnel, changes in ratings by financial analysts and credit rating agencies, litigation, the removal of the restrictions on H share transactions or volatility in market prices and changes in the demand for our products, could cause large and sudden changes to the market price and trading volume at which our H Shares will trade. Further, derivative transactions that may be entered into by investors in our H Shares (including cornerstone investors during their lock-up period to the extent that such transactions are not in violation of the lock-up restrictions) for hedging purposes, even if these transactions are settled only in cash, could still result in significant price and trading volume volatility of our H Shares. In addition, the stabilization activities to be carried out by the [REDACTED] may be curtailed by certain limitations in the [REDACTED] in the [REDACTED], which may affect the market price and trading volume of our H Shares as well. Please see “Structure of the [REDACTED] – [REDACTED]”. Besides, the Stock Exchange and other securities markets have, from time to time, experienced significant price and trading volume volatility that are not related to the operating performance of any particular company. This volatility may also materially and adversely affect the market price of our H Shares.

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Since there will be a gap of several days between the closing of [REDACTED] and the trading of the [REDACTED], holders of the [REDACTED] are subject to the risk that the price of the [REDACTED] could fall during the period before the trading of the [REDACTED] begins.

Our H Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be several Hong Kong business days after the closing of application lists. As a result, investors may not be able to sell or deal in our H Shares during that period. Accordingly, holders of our H Shares are subject to the risk that the price of our H Shares could fall before trading begins as a result of unfavorable market conditions, or other adverse effects, that could occur between the time of the closing of application lists and the time trading begins.

A future significant increase or perceived significant increase in the supply of our H Shares in public markets could cause the market price of our H Shares to decrease significantly, and/or dilute shareholdings of holders of H Shares.

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

Our Domestic Shares can be converted into H Shares if the conversion and trading of the H Shares is duly completed pursuant to the requisite approval process and the approval from the relevant PRC regulatory authorities, including the CSRC, is obtained. In addition, such conversion and trading must, in all aspects, comply with the regulations promulgated by the securities regulatory authority under the State Council and the regulations, requirements and procedures of the Stock Exchange. If a significant number of Domestic Shares are converted into H Shares, the supply of H Shares may be substantially increased, which could have a material and adverse effect on the prevailing market price for our H Shares.

In addition, while investors subscribing shares in the [REDACTED] are not subject to any restrictions on the disposal of the H Shares, they may have existing arrangements or agreement to dispose part or all of the H Shares they hold immediately or within certain period upon completion of the [REDACTED] for legal and regulatory, business and market, or other reasons. Such disposal may occur within a short period or any time or period after the [REDACTED].

Any sale of the H Shares subscribed by such investors pursuant to such arrangement or agreement could adversely affect the market price of our H Shares and any sizeable sale could have a material and adverse effect on the market price of our H Shares and could cause substantial volatility in the trading volume of our H Shares.

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As the [REDACTED] of our H Shares is higher than our consolidated net tangible assets book value per share, purchasers of our H Shares in the [REDACTED] may experience immediate dilution upon such purchases.

Based on the [REDACTED] range, the [REDACTED] is expected to be higher than the net tangible book value per H Share prior to the [REDACTED]. Therefore, you will experience an immediate dilution in pro forma net tangible book value per H Share. Our existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per share of their shares. In addition, holders of our H Shares may experience further dilution of their interest if the [REDACTED] exercise the [REDACTED] or if we issue additional shares in the future to raise additional capital.

If the Company were to be added to the list of Non-Sanctioned Chinese Military Industrial Companies, U.S. persons that hold the Company's H Shares would be prohibited from selling such shares after the end of period of 365 days following the addition of the Company to such list to comply with Executive Order 14032.

During the Track Record Period, we entered into transactions for the purchase and sale of products with certain companies that are named on the list of Non-Sanctioned Chinese Military Industrial Companies published by the U.S. Department of the Treasury's Office of Foreign Assets Control (the "NS-CMIC List"). As advised by our international sanctions legal advisor, these transactions did not violate any international sanctions rules or regulations.

Under U.S. Presidential Executive Order 14032, U.S. persons are prohibited from engaging in the purchase or sale of any publicly traded securities of a company on the NS-CMIC List as of 60 days after a company is listed on the NS-CMIC List, with the exception of divestments of such securities which are permitted for 365 days following a company being added to the NS-CMIC List.

In the event that the Company were to be added to the NS-CMIC List, any U.S. persons that hold our H Shares would be prohibited from selling those shares after the end of a one-year period following the addition of the Company to such list to assure such U.S. persons' compliance with Executive Order 14032. Such sales of our H Shares by U.S. persons during the 365-day period, if they were substantial, could cause the market price and trading volume of our H Shares to be volatile or possibly cause the market price of our H Shares to decline.

We may not distribute dividends.

While dividends may be paid out of distributable profits under our Articles of Association, no dividends were distributed during the Track Record Period. Distributable profits mean our net profits for a period, plus the distributable profits or net of the accumulated losses, if any, at the beginning of such period, less statutory reserve fund appropriations to general risk reserve, transaction risk reserve, and discretionary surplus reserve (as approved by

RISK FACTORS

our shareholders’ meeting). As a result, we may not have sufficient profit to enable us to make future dividend distributions to our shareholders, even if our financial statements prepared in accordance with IFRSs indicate that our operations have been profitable.

Furthermore, future dividend policies will also depend on various factors, including but not limited to our results of operations, cash flows and financial conditions, capital adequacy ratio, operation and capital expenditure requirement and other factors that our Board consider relevant. We cannot assure you that our dividend policies will not be changed in the future.

Certain facts and statistics derived from government and third-party sources contained in this document may not be reliable.

We have derived certain facts and other statistics in this document, particularly those relating to the PRC, the PRC economy and the PRC securities industry, from information provided by the PRC and other government agencies, industry associations, independent research institutes and other third-party sources. While we have taken reasonable care in the reproduction of the information, it has not been prepared or independently verified by us, the Sole Sponsor, the [REDACTED], the [REDACTED] or any of our or their respective affiliates or advisors and, therefore, we cannot assure you as to the accuracy and reliability of such facts and statistics, which may not be consistent with other information compiled inside or outside the PRC. The facts and other statistics include the facts and statistics included in the sections headed “Risk Factors,” “Industry Overview”, “Business” and “Financial Information”. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable with statistics produced for other economies, and you should not place undue reliance on them. Furthermore, we cannot assure you that they are stated or compiled on the same basis, or with the same degree of accuracy, as similar statistics presented elsewhere. In all cases, you should consider carefully how much weight or importance you should attach to or place on such facts or statistics.

You should read the entire document carefully, and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding ourselves and the [REDACTED].

Prior to the publication of this document, there had been press and media coverage regarding us and the [REDACTED], which contained, among other things, certain financial information, projections, valuations and other forward-looking information about us and the [REDACTED]. We have not authorized the disclosure of any such information in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this document, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this document only and should not rely on any other information.

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

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INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN [REDACTED]

Name	Residential address	Nationality
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DIRECTORS

Executive Directors

Ms. Liu Jingyu (劉靜瑜女士)	Room 901, Unit A, Block 9, Yihe Shijia Danyangmen South Road, Jintan District Changzhou City, Jiangsu Province PRC	Chinese
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Mr. Dai Ying (戴穎先生)	Room 802, Gate 1, Block 301 Yikangyuan North District Baibuting Garden, Jiang'an District Wuhan City, Hubei Province PRC	Chinese
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Non-executive Directors

Mr. Zhou Sheng (周勝先生)	Room 601, Unit A Block 19, Zone II, Jinjun Garden 8 Hechang Road, Jintan District Changzhou City, Jiangsu Province PRC	Chinese
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Mr. Zhang Guoqing (張國慶先生)	Room 603 Block 1 City Garden, Jincheng Town Jintan City, Jiangsu Province PRC	Chinese
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Mr. Li Yunxiang (李雲祥先生)	Room 1901, No. 46 Exhibition North Lane, Siming District Xiamen City, Fujian Province PRC	Chinese
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DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN [REDACTED]

Name	Residential address	Nationality
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Independent Non-executive Directors

Mr. Wu Guangquan (吳光權先生)	Room 2704, West Door No. 175 Zhenhua Road Futian District Shenzhen City, Guangdong Province PRC	Chinese
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Mr. Wang Susheng (王蘇生先生)	Room 202, Block 13 Meilin 2nd Village, Futian District Shenzhen City, Guangdong Province PRC	Chinese
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Mr. Chen Zetong (陳澤桐先生)	Flat D, 17/F, Tower 3 North Court 1 Mei Tin Road Festival City, Phase 3 Tai Wai Sha Tin New Territories, Hong Kong	Chinese
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SUPERVISORS

Mr. Jiang Jinhua (姜金華先生)	Room 203, Block 4 Wuwenhua Garden, Jincheng Town Jintan City, Jiangsu Province PRC	Chinese
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Ms. Cheng Yan (程雁女士)	No. 6, Unit 2, Block 2 No. 55 Huanhua Binhe Road, Qingyang District Chengdu City, Sichuan Province PRC	Chinese
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Ms. Nian Mingzhu (念明珠女士)	No. 45 Dongyuemei Dongxing Village, Aoqian Town Pingtan County, Fujian Province PRC	Chinese
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Please see “Directors, Supervisors and Senior Management” of this document for further information of our Directors and Supervisors.

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN [REDACTED]

Sole Sponsor

Huatai Financial Holdings (Hong Kong)
Limited
62/F
The Center
99 Queen's Road Central
Hong Kong

[REDACTED]

Legal Advisors to our Company

as to Hong Kong law
Jia Yuan Law Office
17/F
No. 238 Des Voeux Road Central
Sheung Wan
Hong Kong

as to PRC law
Jia Yuan Law Offices
F408, Ocean Plaza
158 Fuxing Men Nei Street
Xicheng District
Beijing
PRC

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN [REDACTED]

	<p><i>as to international sanction law</i> Stephen Peepels, Esq. Room 604, Sixth Floor Hollywood Centre 77-91 Queen's Road West Sheung Wan Hong Kong</p>
<p>Legal Advisors to the Sole Sponsor and the [REDACTED]</p>	<p><i>as to Hong Kong law</i> Clifford Chance 27/F Jardine House One Connaught Place Central Hong Kong</p> <p><i>as to PRC law</i> Jun He Law Offices 20/F, China Resources Building 8 Jianguomenbei Avenue Beijing PRC</p>
<p>Auditor and Reporting Accountants</p>	<p>RSM Hong Kong Certified Public Accountants 29/F, Lee Garden Two 28 Yun Ping Road Causeway Bay Hong Kong</p>
<p>Compliance Advisor</p>	<p>Maxa Capital Limited Unit 1908, 19/F Harbour Center 25 Harbour Road Wanchai Hong Kong</p>
<p>Industry Consultant</p>	<p>Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. Room 2504, Wheelock Square No. 1717, West Nanjing Road Shanghai PRC</p>
<p>Receiving Bank</p>	<p>[●]</p>

CORPORATE INFORMATION

Registered Office	No. 1 Jiangdong Avenue Jintan District Changzhou City Jiangsu Province PRC
Headquarters and Principal Place of Business in the PRC	No. 1 Jiangdong Avenue Jintan District Changzhou City Jiangsu Province PRC
Principal Place of Business in Hong Kong	40th Floor, Dah Sing Financial Centre No. 248 Queen’s Road East, Wanchai Hong Kong
Company’s Website	<u>www.calb-tech.com</u> <i>(This website and information contained in this website does not form part of this Document)</i>
Joint Company Secretaries	Mr. Dai Ying (戴穎先生) Room 802 Gate 1, Block 301 Yikangyuan North District Baibuting Garden, Jiang’an District Wuhan City, Hubei Province PRC Mr. Cheung Kai Cheong Willie (張啟昌先生) (FCCA, CPA) 40th Floor, Dah Sing Financial Centre No. 248 Queen’s Road East Wanchai Hong Kong

CORPORATE INFORMATION

Authorized Representatives

Mr. Dai Ying (戴穎先生)
Room 802
Gate 1, Block 301
Yikangyuan North District
Baibuting Garden, Jiang’an District
Wuhan City, Hubei Province
PRC

Mr. Cheung Kai Cheong Willie
(張啟昌先生)
(FCCA, CPA)
40th Floor, Dah Sing Financial Centre
No. 248 Queen’s Road East
Wanchai
Hong Kong

Audit Committee

Mr. Wang Susheng (王蘇生先生) (*Chairman*)
Mr. Wu Guangquan (吳光權先生)
Mr. Chen Zetong (陳澤桐先生)

Remuneration Committee

Mr. Wu Guangquan (吳光權先生) (*Chairman*)
Ms. Liu Jingyu (劉靜瑜女士)
Mr. Chen Zetong (陳澤桐先生)

Nomination Committee

Mr. Chen Zetong (陳澤桐先生) (*Chairman*)
Ms. Liu Jingyu (劉靜瑜女士)
Mr. Wu Guangquan (吳光權先生)

[REDACTED]

CORPORATE INFORMATION

Principal banks

**China Merchants Bank Co., Ltd.,
Guangzhou Branch Sales Office**
China Merchants Bank Building
5 Huasui Road, Zhujiang New Town
Tianhe District
Guangzhou City
Guangdong Province
PRC

**China Minsheng Banking Corp., Ltd.,
Jintan Sub-branch**
5 Huayang South Road, Jintan District
Changzhou City
Jiangsu Province
PRC

**Industrial Bank Co., Ltd.,
Jintan Sub-branch**
233-3 Dongmen Avenue, Jintan District
Changzhou City
Jiangsu Province
PRC

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

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

WAIVERS IN RELATION TO CONTINUING CONNECTED TRANSACTIONS

Our Company has entered into, and is expected to continue, certain transactions which would constitute continuing connected transactions under the Listing Rules upon [REDACTED]. Accordingly, our Company [has applied] to the Stock Exchange for, and the Stock Exchange [has] granted, a waiver from strict compliance with the announcement and Shareholders’ approval requirements pursuant to Rule 14A.105 of the Listing Rules. For further details of such continuing connected transactions, please see “Connected Transactions” of this Document.

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rules 8.12 and 19A.15 of the Listing Rules, our Company must have sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Given that (i) our Group’s principal business and operations are located, managed and conducted in the PRC through its operating subsidiaries established in the PRC; (ii) none of our executive Directors is a Hong Kong permanent resident or is ordinarily based in Hong Kong; and (iii) our executive Directors will continue to be based in the PRC after [REDACTED] to manage our business, our Company does not, and will not, in the foreseeable future, have a sufficient management presence in Hong Kong as required under Rules 8.12 and 19A.15 of the Listing Rules. Further, it would be impractical and commercially unnecessary for our Company to appoint additional executive Directors who are ordinarily resident in Hong Kong or to relocate its existing PRC based executive Directors to Hong Kong.

Accordingly, we [have applied] to the Stock Exchange for, and the Stock Exchange [has grant], a waiver from strict compliance with the requirements under Rules 8.12 and 19A.15 of the Listing Rules, subject to the condition that the following measures and arrangements are made for maintaining regular and effective communication with the Stock Exchange:

- (i) we have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our Company’s principal channel of communication with the Stock Exchange. The two authorized representatives of our Company are Mr. Dai Ying (戴穎先生), our executive Director and one of our joint company secretaries and Mr. Cheung Kai Cheong Willie (張啟昌先生), the other joint company secretary, who is an ordinary resident in Hong Kong (the “**Authorized Representatives**”). Each of the Authorized Representatives will be available to meet with the Stock Exchange within a reasonable period of time upon the request of the Stock Exchange and will be readily contactable by telephone and/or email. Each of the Authorized Representatives is authorized to communicate on behalf of our Company with the Stock Exchange;

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (ii) each of the Authorized Representatives has means to contact all members of our Board (including our independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact our Directors for any matters. To enhance the communication between the Stock Exchange, the Authorized Representatives and our Directors, we have provided the Stock Exchange with the respective office phone number, mobile phone number and email address of each Director. In the event that a Director expects to travel or is out of the office, he/she will provide the phone number of the place of his/her accommodation or other means of communication to the Authorized Representatives;
- (iii) our Directors, who are not ordinarily resident in Hong Kong, have confirmed that they possess or can apply for valid travel documents to visit Hong Kong and are able to come to Hong Kong when required, to meet with the Stock Exchange upon reasonable notice;
- (iv) we have, in compliance with Rule 3A.19 of the Listing Rules, appointed Maxa Capital Limited as our compliance advisor (the "**Compliance Advisor**") who will, among other things, in addition to the Authorized Representatives, act as a channel of communication between the Stock Exchange and our Company for the period commencing on the [REDACTED] and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the [REDACTED]. The Compliance Advisor will have full access at all times to the Authorized Representatives, our Directors and other officers as prescribed by Rule 19A.05(2) of the Listing Rules, who will act as the additional channel of communication with the Stock Exchange when the Authorized Representative are not available; and
- (v) we have provided the Stock Exchange with the names, mobile phone numbers, office phone numbers and email addresses of at least two officers of the Compliance Advisor who will act as the Compliance Advisor's contact persons between the Stock Exchange and our Company pursuant to Rule 19A.06(4) of the Listing Rules.

APPOINTMENT OF JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, we must appoint a company secretary who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of our company secretary. Note 1 to Rule 3.28 of the Listing Rules further provides that the Stock Exchange considers the following academic or professional qualifications to be acceptable:

- (a) a member of The Hong Kong Chartered Governance Institute;
- (b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and
- (c) a certified public accountant (as defined in the Professional Accountants Ordinance).

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

Note 2 to Rule 3.28 of the Listing Rules provides that, in assessing “relevant experience”, the Stock Exchange will consider the individual’s:

- (i) length of employment with the issuer and other issuers and the roles he/she played;
- (ii) familiarity with the Listing Rules and other relevant law and regulations including the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) and The Codes on Takeovers and Mergers and Share Buy-backs;
- (iii) relevant training taken and/or to be taken in addition to the minimum requirements under Rule 3.29 of the Listing Rules; and
- (iv) professional qualifications in other jurisdictions.

We [have appointed] Mr. Dai Ying (戴穎先生) (“**Mr. Dai**”) as one of our joint company secretaries. Mr. Dai has been assisting the chairwoman of our Board in handling board matters and corporate matters for years but presently does not possess any of the qualifications under Rules 3.28 and 8.17 of the Listing Rules. Thus, Mr. Dai may not be able to fulfill the requirements of the Listing Rules. Therefore, we [have appointed] Mr. Cheung Kai Cheong Willie (張啟昌先生) (“**Mr. Cheung**”), a member of The Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in the United Kingdom, who fully meets the requirements under Rules 3.28 and 8.17 of the Listing Rules, to act as the other joint company secretary. Mr. Cheung will provide assistance to Mr. Dai for an initial period of three years from the [REDACTED] to enable Mr. Dai to acquire the “relevant experience” under Note 2 to Rule 3.28 of the Listing Rules so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Listing Rules.

Further, both the Compliance Advisor and the Hong Kong legal advisor of our Company will assist Mr. Dai in relation to Hong Kong corporate governance practices and regulatory compliance, ongoing compliance obligations under the Listing Rules and the applicable laws and regulations as and when required. In addition, Mr. Dai will endeavor to attend relevant trainings and familiarize himself with the Listing Rules and duties required of a company secretary of a PRC issuer listed on the Stock Exchange.

We [have applied] to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements of Rules 3.28 and 8.17 of the Listing Rules. Pursuant to the Guidance Letter HKEX-GL108-20, the waiver [has been granted] for an initial period of three years from the [REDACTED] (the “**Waiver Period**”), and [has been granted] on the conditions that (i) we engage Mr. Cheung, who possesses all the requisite qualifications under Rule 3.28 of the Listing Rules, to assist Mr. Dai in discharging his duties as a joint company secretary and in gaining the “relevant experience” as required under Note 2 to Rule 3.28 of the Listing Rules throughout the Waiver Period; and (ii) the waiver will be revoked immediately if there are material breaches of the Listing Rules by our Company or if Mr. Cheung ceases to provide assistance to Mr. Dai during the Waiver Period.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

Before the expiration of the initial three-year period, the qualifications of Mr. Dai will be re-evaluated to determine whether the requirements as stipulated in Rules 3.28 and 8.17 of the Listing Rules can be satisfied and whether the need for on-going assistance will continue. It is expected that Mr. Dai will be able to fulfill all the requirements stipulated at the end of the initial three-year period.

WAIVER IN RESPECT OF THE PUBLIC FLOAT REQUIREMENT

Rule 8.08(1)(a) of the Listing Rules requires that there must be an open market for the securities in which listing is sought and the minimum public float of a listed issuer must at all times be at least 25% of the issuer's total issued share capital. However, Rule 8.08(1)(d) of the Listing Rules provides that the Stock Exchange may, at its discretion, accept a lower percentage of between 15% and 25%, if a new applicant meets the following requirements under Rule 8.08(1)(d) of the Listing Rules: (a) the issuer shall have an expected market capitalization at the time of listing of over HK\$10 billion; (b) the number of securities concerned and the extent of their distribution would enable the market to operate properly with a lower percentage of public float; (c) the issuer will make appropriate disclosure of the lower prescribed percentage of public float in the initial listing document; (d) the issuer will confirm the sufficiency of the public float in annual reports after listing; and (e) a sufficient portion (to be agreed in advance with the Stock Exchange) of any securities intended to be marketed contemporaneously within and outside Hong Kong must normally be offered in Hong Kong. It is currently expected that our Company will have a market capitalization between approximately HK\$[REDACTED] billion and HK\$[REDACTED] billion at the time of [REDACTED] (after completion of the [REDACTED] but without taking into account the exercise of the [REDACTED]). Our Company has applied to the Stock Exchange to request the Stock Exchange to exercise its discretion under Rule 8.08(1)(d) of the Listing Rules, and the Stock Exchange [has granted us], a waiver from strict compliance with the requirements under Rule 8.08(1)(a) of the Listing Rules. Therefore, the public float of our Company may fall below 25% of the total issued share capital of our Company. In support of the application, our Company has confirmed to the Stock Exchange that:

- (a) the minimum public float will be the higher of:
 - (1) [REDACTED] of the total issued share capital of our Company; or
 - (2) such percentage of Shares to be held by the public H Shareholders immediately after the completion of the [REDACTED] and the last exercise of the [REDACTED] (if any).
- (b) our Company will have an expected market capitalization at the time of the [REDACTED] of over HK\$10 billion;
- (c) we have significant [REDACTED] size and there will be sufficient liquidity in our Shares notwithstanding a reduction in the minimum public float set out in Rule 8.08(1)(a) of the Listing Rules;

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (d) the quantity and scale of the H Shares would enable the market to operate properly with a lower percentage of public float;
- (e) our Company will make appropriate disclosure of the lower percentage of public float in this document;
- (f) our Company will confirm sufficiency of public float in our Company's annual reports after the [REDACTED]; and
- (g) our Company will implement appropriate measures and mechanisms to ensure continual maintenance of the minimum percentage of public float.

INDUSTRY OVERVIEW

The information in this section is derived from an independent report prepared by Frost & Sullivan. The industry report prepared by Frost & Sullivan is based on information from its database, publicly available sources, industry reports, data obtained from interviews and other sources. We believe that the sources of the information in this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any part has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], any of their respective directors, officers, affiliates, advisors or representatives, or any other party (other than Frost & Sullivan) involved in the [REDACTED]. We, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], any of their respective directors, officers, affiliates, advisors or representatives, and any other party (other than Frost & Sullivan) involved in the [REDACTED] make no representation as to the completeness, accuracy or fairness of such information and accordingly such information should not be unduly relied upon.

SOURCES OF INFORMATION AND RESEARCH METHODOLOGY

The information and statistics set out in this section and other sections of this document were extracted from different official government publications, available sources from public market research and other sources from independent suppliers. In addition, we engaged Frost & Sullivan for preparing an independent industry report in respect of the [REDACTED]. The information from Frost & Sullivan disclosed in the document is extracted from the Frost & Sullivan Report, a report commissioned by us for a fee of RMB880,000, and is disclosed with the consent of Frost & Sullivan. The Frost & Sullivan Report has been prepared by Frost & Sullivan independently without any influence from us or other interested parties.

Frost & Sullivan is an independent global consulting firm founded in 1961 in New York and its services include, among others, industry consulting, market strategic consulting and corporate training. Frost & Sullivan conducted (i) primary research, which involved discussing the status of the industry with certain leading industry participants, and interviews with industry experts on a best-effort basis to collect information in aiding in-depth analysis; and (ii) secondary research, which involved reviewing company reports, independent research reports and data based on its own research database.

Overview of New Energy Vehicle Market

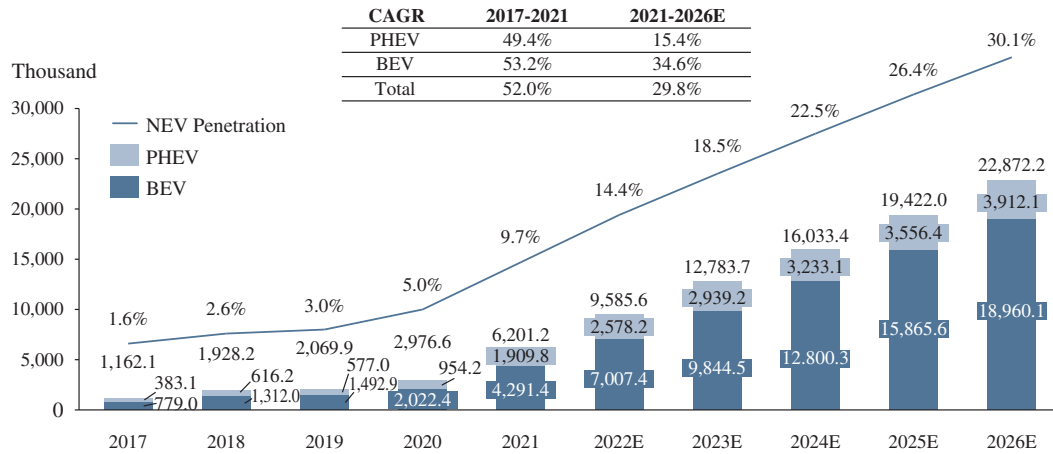
China expects to hit carbon peak before 2030 and the Chinese government aims to achieve carbon neutrality by 2060. The Chinese government has promulgated a number of policies to support the growth of NEV (New Energy Vehicle), which include BEV (Battery Electric Vehicle) and PHEV (Plug-in Hybrid Electric Vehicle). Currently, China is the largest NEV market in the world, with sales of 3,334.0 thousand units in 2021, and continues to account for nearly half of global NEV sales, according to Frost & Sullivan.

Global NEV Market Have So Far Achieved Remarkable Growth and China’s NEV Market Continues to Experience High Growth

The uses of new energy, intelligent control system and telematics have become the most notable trends in the global automobile industry. Accordingly, the global sales volume of NEVs grew from 1,162.1 thousand units in 2017 to 6,201.2 thousand units in 2021. In the forecast period, global NEV sales are expected to grow at a CAGR of 29.8%, and the global NEV penetration is expected to reach 30.1% in 2026.

INDUSTRY OVERVIEW

New Energy Vehicle Sales Volume, Global, Breakdown by Type, 2017-2026E

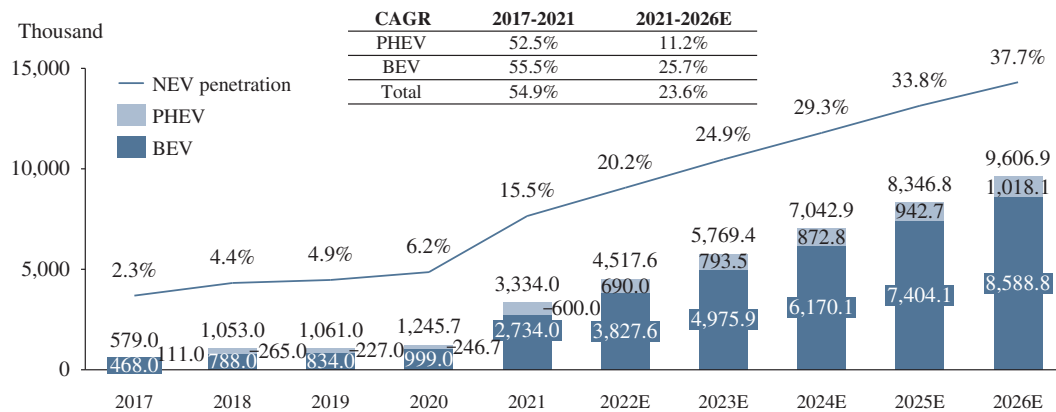


Note: NEV penetration refers to the proportion of NEVs in total passenger vehicles.

Source: Industry Associations, Frost & Sullivan

The total sales volume of passenger vehicles in China was 21.5 million in 2021, and is expected to reach 25.5 million in 2026 with a CAGR of 3.3%. With further policy support and technological development, consumer preference for NEVs is expected to grow, hence the NEV sales penetration is expected to climb from 15.5% in 2021 to 37.7% in 2026, and China’s market will represent the most sizable long-term market opportunity globally for NEV stakeholders.

New Energy Vehicle Sales Volume, China, Breakdown by Type, 2017-2026E



Note: NEV penetration refers to the proportion of NEVs in total passenger vehicles.

Source: China Association of Automobile Manufacturers, China Passenger Cars Association, Frost & Sullivan

INDUSTRY OVERVIEW

Key Market Drivers and Trends of China’s NEV Market

From consumer preference level: consumers have growing concerns on personal health as well as urban environmental conditions, and actual benefits are granted to EV purchasers in China. Meanwhile, ICE (Internal Combustion Engine) OEMs (Original Equipment Manufacturer) need to invest more in the R&D to reduce the emission of CO₂, NO_x and other air pollutants.

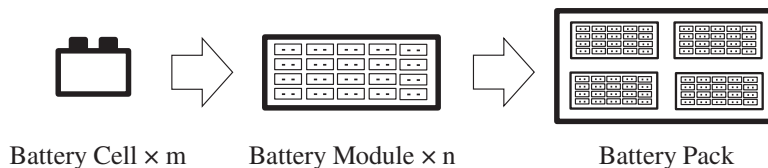
From power type level: BEV will become the mainstream models in future NEV market. At present, the mainstream types of NEVs include BEVs and PHEVs. From the perspective of infrastructure, governments around the world have been promoting the deployment of electric vehicle infrastructure, which in turn has been an important factor in consumers’ increasing adoption of BEVs. BEVs carry more battery capacity than PHEVs, which will drive the growth of battery industry.

Overview of EV Battery Market

Definition and Classification of EV Battery

EV battery refers to a rechargeable electricity storage system used in NEV to provide driving energy. As one of the most critical parts of the NEV, EV battery directly affects the NEV performance including driving range, safety, service life, charging time and adaptability of temperature, etc.

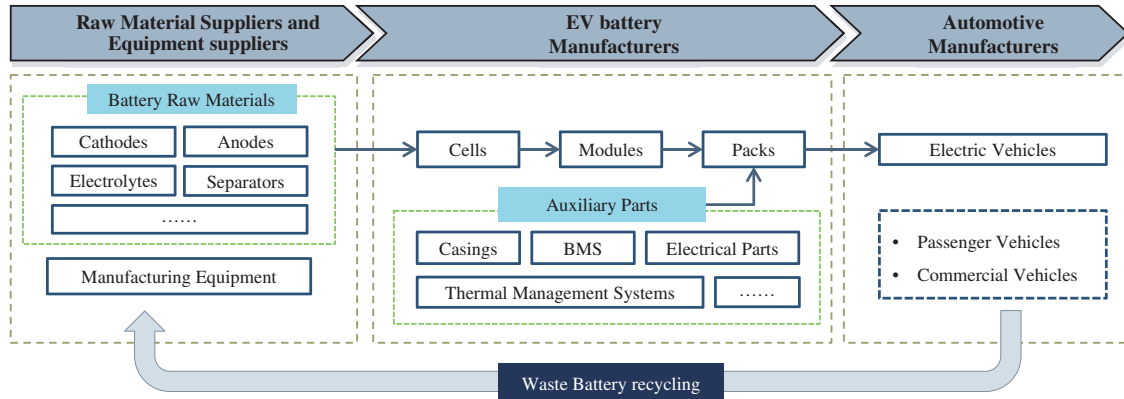
Battery cell is the smallest energy unit composed of cathode, anode, electrolytes and separators. A battery module contains many battery cells in parallel and series that shelled in the casing. Battery pack is a system integrating several auxiliary parts with multiple battery modules, and can be directly installed to the vehicles. The relation as shown below:



According to the difference of cathode materials, EV batteries can be classified into lithium titanate oxide battery, lithium manganese oxide battery, lithium iron phosphate (LFP) battery, and ternary battery. LFP and ternary battery are dominating the EV battery market with over 99% of the market share. Generally, ternary batteries have higher energy density, higher charging efficiency and better low temperature adaptivity, while LFP battery have relatively better safety performance and lower material cost.

INDUSTRY OVERVIEW

EV Battery Value Chain Analysis



Source: Frost & Sullivan

Battery manufacturing requires a variety of raw materials and manufacturing equipment from upstream suppliers as shown above. EV battery manufacturers are responsible for the design and production of EV battery products, which can be shipped and sold in forms of cells, modules and packs according to customer requirements. EV battery is the most valuable part for NEV which accounted for 20-40% of the total vehicle cost. Automotive manufacturers directly purchase EV battery from battery manufacturers. Due to the high-customized feature of EV battery, automotive manufacturers usually involve EV battery manufacturers early in the project development stage.

Waste battery recycling refers to collecting raw material from waste battery. There are both raw material suppliers and battery manufacturers engaging in this field of business to achieve an efficient utilization throughout the life cycle of batteries.

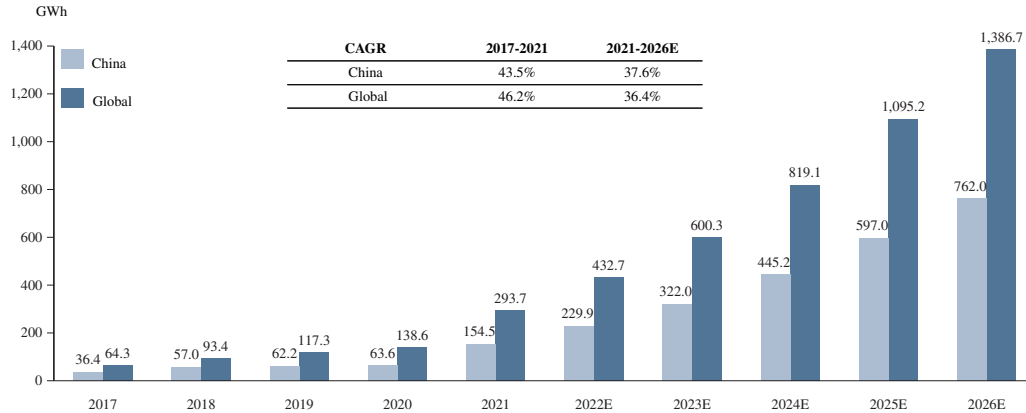
Global and China EV Battery Installed Capacity

Benefits from the growth of global NEV market, the EV battery market gained a steady growth with the installed capacity grew from 64.3 GWh in 2017 to 293.7 GWh in 2021 with a CAGR of 46.2%. In the forecast period, in line with the continuous growth of global NEV market, the global EV battery installed capacity are expected to grow at a CAGR of 36.4% from 2021 to 2026 and reach 1,386.7 GWh in 2026.

China is the largest EV battery market in terms of installed capacity. The EV battery installed capacity in China grew at a CAGR of 43.5% from 2017 to 2021 and reached 154.5 GWh in 2021. With the rapid growing of NEV penetration rate, the sound industrial chain and effective pandemic control, China EV battery market will keep growing. The EV battery installed capacity is expected to reach 762.0 GWh in 2026 with a CAGR of 37.6% from 2021 to 2026.

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EV Battery Installed Capacity, Global and China, 2017-2026E



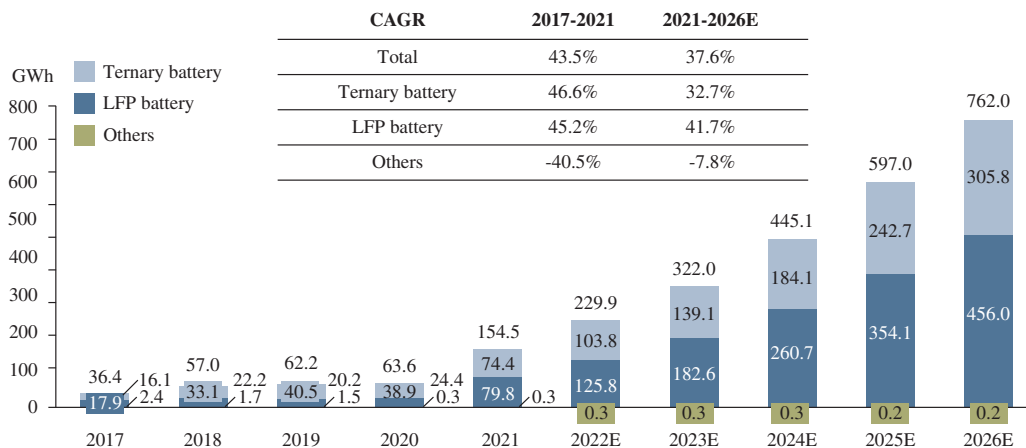
Source: China Automotive Battery Innovation Alliance, Frost & Sullivan

China EV Battery Installed Capacity by Battery Type

Benefiting by government subsidies, ternary batteries highlighted its advantage of higher energy density and gained the most of market share from 2018 to 2020.

In the forecast period, the installed capacity of ternary battery is forecasted to reach 305.8 GWh in 2026 at a CAGR of 32.7% from 2021 to 2026. With comparatively lower cost, LFP batteries market is expected to grow faster and expand the market share. The installed capacity of LFP battery is forecasted to reach 456.0 GWh in 2026 at a CAGR of 41.7% from 2021 to 2026.

EV Battery Installed Capacity, China, Breakdown by Battery Type, 2017-2026E



Note: Others refers to lithium titanate oxide battery, lithium manganese oxide battery.

Source: China Automotive Battery Innovation Alliance, Frost & Sullivan

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Key Market Drivers of China EV Battery Market

Policy stimulation: The development of EV batteries is highly consistent with the development of the NEV industry. *Action Plan for Carbon Dioxide Peaking Before 2030* published by State Council revealed the plan to reach the clean energy transport proportion of 40% by 2030 which lead a huge room for the growth of NEV market. The explosive growth potential of NEV market will continue to drive the demand for EV batteries.

Battery performance improvement: The insufficient driving range has been considered as one of the hindrances for purchasing NEV. Due to the technology advancement in recent years, the battery energy density, and charging speed have been greatly improved. Industry participants keep putting effort on improving battery performance, thus enhancing the consumers’ confidence and adoption of NEV.

Cost reduction: EV battery accounts for 20-40% of the entire vehicle cost. Due to the advancement of battery technology and the expansion of production scale, the average cost of EV batteries has dropped significantly in past few years. It is expected that the cost of EV batteries still has a potential to reduce. Battery cost reduction drives the price reduction of NEV, benefiting the NEV sales market, which in turn promote the EV battery market.

Future Trends of China EV Battery Market

Battery standardization: In recent years, battery standardization is gaining more attention for its multiple advantages. Battery standardization can (i) improve battery consistency; (ii) promote the large-scale development of the waste battery recycling; (iii) promote the popularization of battery swapping modes. The development of battery standardization is of great significance to the progress of the EV battery industry.

Structural innovation: Battery structural innovation has become a distinctive feature of technological advancement. By optimizing the space utilization and reduce the usage of auxiliary parts, structural innovation can achieve higher battery energy density and lower the material cost. Industry participants are still working on battery structure improvement. In the future, battery structural innovation will continue to be an important technology route that battery manufacturers will put effort on.

Material innovation: Raw material system innovation has been an effective way to promote the battery comprehensive performance. High-nickel cathode material, carbon-silicon anode, lithium pre-doping anode, solid electrolyte, high voltage material, etc. are typical research routes in the industry to enhance battery energy density. In the context of pursuing higher battery energy density and low cost, the trend of battery material innovation will remain for the future.

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Efficient utilization throughout the life cycle: Waste battery recycling such as raw material recycling and second use of waste battery, is significant to the battery industry to achieve the cost reduction and environment protection. Developing waste battery recycling system is a crucial strategy plan of leading battery manufacturers.

Competitive Landscape of Global EV Battery Industry

Global battery industry is dominated by several core companies. Top 7 EV battery manufacturers took up 87.1% of the market share in 2021 in terms of installed capacity.

	Installed capacity (2021, GWh)	Introduction	Market share
Company A	97.3	A China-based third-party EV battery manufacturer listed in Shenzhen Stock Exchange.	33.1%
Company B	58.3	A Korea-based third-party EV battery manufacturer listed in Korea Stock Exchange.	19.9%
Company C	34.7	A Japan-based third-party EV battery manufacturer affiliated with an international comprehensive electronic technology company.	11.8%
Company D	25.9	A China-based EV battery manufacturer affiliated with a domestic vehicle manufacturer.	8.8%
Company E	17.3	A Korea-based third-party EV battery manufacturer affiliated with an international company with numerous businesses including energy industry, etc.	5.9%
Company F	12.8	A Korea-based third-party EV battery manufacturer affiliated with an international company engaging in consumer electronics, etc.	4.4%
Our Company	9.3	A China-based third-party EV battery manufacturer.	3.2%
Top 7 EV battery manufacturers in total			87.1%

Note: Third-party EV battery manufacturers indicate those companies whose businesses are not engaging in vehicle manufacturing and the EV battery products are mainly sold to external customers instead of their own brand of vehicles.

Source: Frost & Sullivan

INDUSTRY OVERVIEW

Competitive Landscape of China EV Battery Industry

China EV battery industry is highly concentrated. In 2021, top 3 EV battery manufacturers gained 74.2% of totally installed capacity in China.

	Installed capacity (2021, GWh)	Introduction	Market share
Company A	80.5	A China-based third-party EV battery manufacturer listed in Shenzhen Stock Exchange.	52.1%
Company D	25.0	A China-based EV battery manufacturer affiliated with a domestic vehicle manufacturer.	16.2%
Our Company	9.1	A China-based third-party EV battery manufacturer.	5.9%
Top 3 EV battery manufacturers in total			74.2%

Note: Third-party EV battery manufacturers indicate those companies whose businesses are not engaging in vehicle manufacturing and the EV battery products are mainly sold to external customers instead of their own brand of vehicles.

Source: China Automotive Battery Innovation Alliance, Frost & Sullivan

Battery safety performance is the priority when evaluating the performance of electric vehicles. Pursuit of a higher level of safety has always been the goal of the EV battery industry. Compared to LFP battery, ternary battery has advantages on energy density, charging efficiency and low-temperature adaptivity, but raises higher technological requirements to ensure battery safety performance. Nail penetration test is one of the most rigorous EV battery safety performance tests. Up to now, there are only two NEV brands in China have published the “pass” result for ternary battery nail penetration test, which represent the leading safety level of ternary battery in the world. The batteries for one of the brands are provided by our Company. Below table shows the test information for top three EV battery manufacturers.

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	Our company	Company A	Company D
Ternary Battery Nail Penetration Test	✓	✓	×
NEV Brand	Aion	Zeeker	NA
Release Time	March 2021	July 2021	NA

Notes:

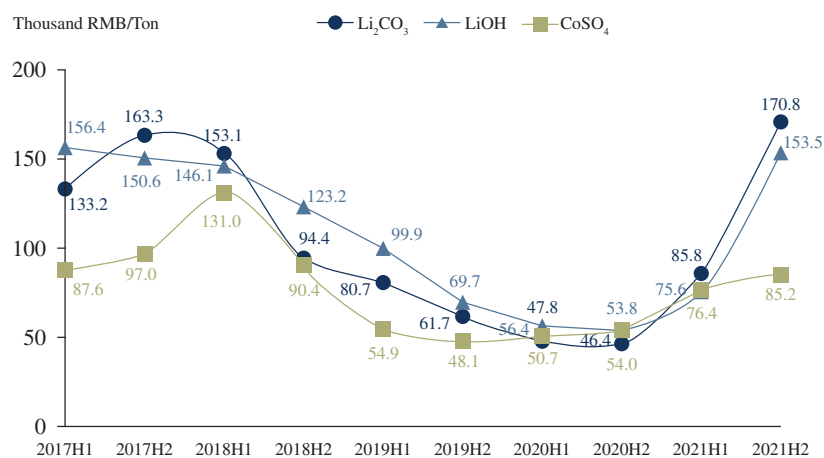
1. “Nail Penetration Test” indicates an EV battery thermal propagation test which requires that the EV battery pack should not explode or catch fire due to thermal runaway when it is entirely penetrated by a steel nail under required conditions.
2. “✓” indicates that the battery pack passed the test and the result have been posted in public.
3. “×” indicates that no “passed” result have been posted.
4. “NA” indicates that information not applicable.
5. Statistics by December 31st 2021.

Source: Frost & Sullivan

EV Battery Major Raw Material Price Analysis

Battery cell is composed of cathodes, anodes, electrolyte and separators. Cathode material is the costliest part, which takes up around 30-55% of the total cost of the battery cell depending on the battery types. Lithium carbonate (Li_2CO_3), lithium hydroxide (LiOH) and cobalt sulfide (CoSO_4) are the major raw material of synthesizing EV battery cathode. Given a great demand of raw material due to the rapid growth of EV battery installed capacity, the price of the major cathode raw material has climb up since 2021. The historical price trend as shown below.

Average Price of Major Cathode Raw Material, China, 2017-2021



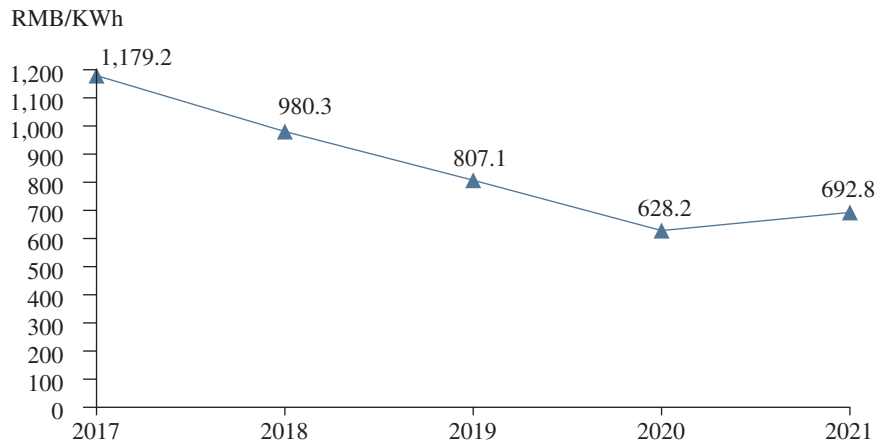
Source: Frost & Sullivan

INDUSTRY OVERVIEW

EV Battery Cost Analysis

Benefiting by technology advancement and effect of scale, the cost of EV battery plummeted from 2017 to 2020. In 2021, the EV battery cost increased taking into account the rising prices of the raw materials.

Average Cost of EV Battery Pack, China, 2017-2021



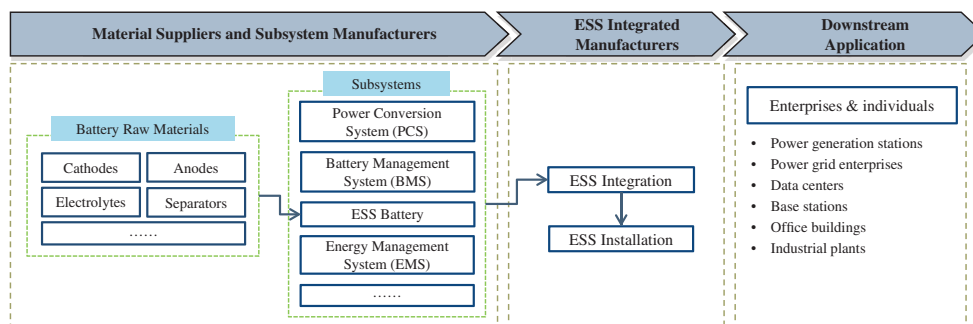
Source: Frost & Sullivan

Overview of China ESS Battery Market

Definition of ESS Battery

Energy storage system (ESS) batteries, which mostly are lithium-ion batteries, are the core unit in ESS. ESS refers to the device that can store electricity power and output for usage when needed. Differ from EV battery, ESS batteries are deployed in a wide span of scenarios in power system including power generation, power transmission & distribution and power consumption by its function of peak shaving and valley filling, system frequency modulation, smooth new energy power output and etc.

ESS Battery Value Chain Analysis



Source: Frost & Sullivan

INDUSTRY OVERVIEW

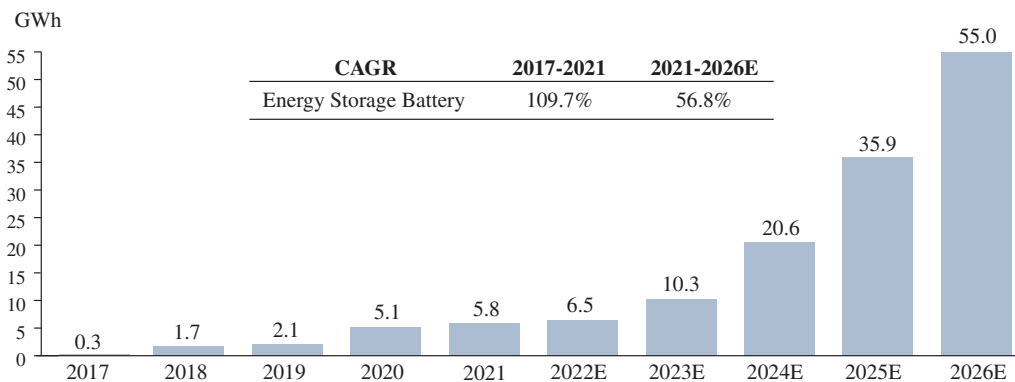
The subsystem manufacturers are upstream participants in the value chain. ESS is an integration of multiple subsystems, as shown above. ESS battery is the most valuable part which accounted for around 60% of the total cost of ESS. ESS integrated manufacturers in midstream are responsible for the system design, subsystem selection and subsystem integration to form a functional ESS, then sell to the customers. ESS is widely used in various scenarios by enterprises and individual users.

China ESS Battery Installed Capacity Analysis

Benefiting by the continuous reduction of the battery cost and the stimulation of government policies, China ESS battery has achieved 5.8 GWh newly-installed capacity put into operation in 2021 from the basis of 0.3 GWh in 2017.

In the context of national strategy of energy transformation and carbon neutrality, ESS battery is an integral part in the power system reform and new energy power construction. The newly installed capacity is expected to reach 55.0 GWh in 2026 with a CAGR of 56.8% from 2021 to 2026.

ESS Battery Newly Installed Capacity, China, 2017-2026E



Source: Frost & Sullivan

Key Market Driver of China ESS Battery Market

Policy stimulation: In the context of the national goal of carbon neutrality, China ESS market welcomes a series of favorable policies. For instance, *Action Plan for Carbon Dioxide Peaking Before 2030* issued by the State Council in 2021 unveiled a series of ambitious action plan to accelerate the ESS development. It is expected that the ESS industry will grow explosively under the stimulus of national and local policies.

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Cost reduction: Technology advancement and production scale expansion promote the cost reduction for ESS battery. Moreover, the rapid development of the EV battery industry drives the related technologies applied into ESS batteries, which accelerates the cost reduction for ESS batteries. Continued cost reduction of ESS battery promotes the adoption intention for downstream users.

Wide span of application scenarios: ESS battery is deployed in a wide span of scenarios in power system including power generation, power transmission & distribution and power consumption. The rapid growing renewable energy power system construction lays the foundation for the large-scale deployment of ESS. As the energy transition accelerates, the ESS battery market will embrace new opportunities.

Future Trends of China ESS Battery Market

Improving performance: ESS safety accidents have occurred around the world, which causes widespread concern in the industry. Improving safety performance of ESS battery is the most effective measure to solve the system safety problems. Pursuing higher safety performance and longer cycle life are the technological development trends of ESS batteries in the future.

Distributed ESS: ESS applications are undergoing an expansion from centralized models to distributed models, as so-called distributed ESS. The application of distributed ESS contributes to micro-grid construction. Distributed model development is expanding the market application scenarios of the ESS, and will drive the related technology development and market growth in the future.

Cascade utilization: Cascade utilization refers to the utilization of waste EV batteries as ESS battery. It has been identified as a cost-efficient and sustainable alternative for ESS construction. Large quantities of waste EV batteries are expected to be available in the future as NEVs are more widely adopted. Therefore, cascade utilization in field of ESS is expected to be a trend in the industry.

REGULATORY OVERVIEW

A summary of the most significant rules and regulations affecting our business activities in China is set out in this section.

PRINCIPAL REGULATORY AUTHORITIES

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

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

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

INDUSTRIAL POLICES

Domestic industrial development mainly follows the relevant industrial structure guidelines proposed by the NDRC.

Foreign investors and foreign-invested enterprises investing in China shall comply with the Catalog of Industries for Encouraging Foreign Investment (2020 edition) (《鼓勵外商投資產業目錄(2020年版)》), which was promulgated by the NDRC and the MOFCOM on December 27, 2020 and took effect on January 27, 2021. Pursuant to the Catalog, the manufacturing of EV battery involved in our Company’s operation falls within the scope of industries in which foreign investment is encouraged.

According to the Guiding Catalog for Industrial Restructuring (《產業結構調整指導目錄》), which was promulgated by the NDRC on December 2, 2005, with the latest amendment on December 30, 2021, and was effective on December 30, 2021, new primary EV batteries including lithium-iron disulfide (Li-FeS₂) batteries and lithium thionyl chloride (LiSOCl₂) batteries, new batteries including lithium-ion batteries, nickel-hydrogen batteries, sealed lead-acid batteries with new structures (including bipolar, horizontal, coiled and tubular); lead-carbon batteries, super batteries, fuel cells, lithium/carbon fluoride batteries and supercapacitors fall into the state-encouraged industries.

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

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

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

COMPANY LAW

According to the PRC Company Law implemented by the Standing Committee of the National People’s Congress (the “SCNPC”) on December 29, 1993 and amended, passed and came into effect on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013 and October 26, 2018, respectively, both of limited liability companies and joint stock limited companies established in the PRC have the status of legal persons. The liability of shareholders of a limited liability company and a joint stock limited company is limited to the amount of capital they have contributed or shares they have subscribed for. The PRC Company Law also applies to foreign-invested enterprises. Where laws on foreign investment have other stipulations, such stipulations shall apply.

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LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT

According to the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) implemented by the SCNPC on March 15, 2019 and came into effect on January 1, 2020, China implements the pre-entry national treatment and the Negative List management system to foreign investments. The pre-entry national treatment refers to granting to foreign investors and their investments, in the stage of investment access, the treatment no less favorable than that granted to domestic investors and their investments; the Negative List refers to special administrative measures for access of foreign investment in specific fields as stipulated by the State. The State will give national treatment to foreign investments outside the Negative List.

Foreign Investors shall not invest in any field prohibited by the Negative List and shall meet the investment conditions stipulated for any field restricted by the Negative List, while for foreign investments outside the Negative List, it shall be administered under the principle of equal treatment to domestic and foreign investment. The State establishes a foreign investment information reporting system.

According to the Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》) promulgated by the MOFCOM and the State Administration for Market Regulation on December 30, 2019 and came into effect on January 1, 2020, foreign investors or foreign-invested enterprises shall submit investment information in a timely manner, follow the principles of truthfulness, accuracy and completeness, and shall not make false or misleading reports or material omissions. Where a foreign-invested enterprise invests (including multi-level investment) to establish an enterprise in the PRC, the relevant information shall be pushed by the market supervision department to the competent department in charge of commerce after the registration and filing with the market supervision department and the submission of the annual report information.

The Special Administrative Measures for the Access of Foreign Investment (the “Negative List”) (《外商投資准入特別管理措施(負面清單)(2021年版)》) was promulgated by the NDRC and the MOFCOM on December 27, 2021 and came into effect on January 1, 2022, and it sets out the restrictive measures in a unified manner, such as the requirements on shareholding percentages and management, for the access of foreign investments, and the industries that are prohibited for foreign investment. The Negative List covers 12 industries, and any field not falling in the Negative List shall be administered under the principle of equal treatment to domestic and foreign investment.

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POLICIES AND REGULATIONS RELATING TO EV BATTERY, ENERGY STORAGE AND BATTERY RECYCLING

According to the Action Plan for Carbon Dioxide Peaking Before 2030 (《2030年前碳達峰行動方案》) promulgated by the State Council and became effective on October 24, 2021, China will focus on the implementation of “Ten Major Peaking Carbon Dioxide Emissions Actions”, such as the actions for energy transition, energy saving and carbon reduction, and low-carbon transportation. Among which, the actions related to the EV battery and energy storage mainly include: (1) in terms of the action for energy green and low-carbon transition, China will speed up the construction of new electric power systems, actively develop the “new energy + energy storage” model, promote coordination of power source-grid-load-storage, use multiple energy sources to supplement each other, support the deployment of appropriate ESS for distributed new energy sources, and accelerate the broad demonstration and application of new types of energy storage. By 2025, installed capacity of new types of energy storage will reach 30 gigawatts or more; (2) in terms of the action for energy saving, carbon emission mitigation and efficiency improvement, China will strengthen energy conservation and carbon reduction in new types of infrastructure by employing models including DC power supply, distributed energy storage, and “solar + storage” mode, making explorations into diversified energy supply; (3) in terms of the action for promoting green and low-carbon transportation, China will promote low-carbon transformation of transportation vehicles and equipment and vigorously promote new-energy vehicles, while gradually reducing the proportion of cars that run on traditional oil-based fuels in new car sales and car ownership. By 2030, the share of incremental vehicles fueled by new and clean energy will reach around 40%.

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

According to the Outline of the Fourteenth Five-Year Plan for National Economic and Social Development of the PRC and the Long-Range Objectives for 2035 (《中華人民共和國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要》) approved by the NPC and became effective on March 11, 2021, China will promote the safe and efficient use of clean, low-carbon energy, and deepen low-carbon transformation in areas including industry, construction and transportation, focus on strategic emerging industries such as NEVs, accelerate the innovation and application of key core technologies, build a modern energy system, and accelerate the construction of pumped-storage power stations and the large-scale application of new energy storage technologies.

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According to the “Planning for the Development of the New Energy Automobile Industry (2021-2035)” (《新能源汽車產業發展規劃(2021–2035年)》) promulgated by the General Office of the State Council and came into effect on October 20, 2020, China’s new energy vehicle industry has entered a new stage of accelerated development. It is clearly mentioned that the implementation of battery technology breakthroughs will promote various programs such as the development of the full value chain of EV battery, the construction of a high-efficiency EV battery recycling system, and the acceleration of the promotion of EV battery recycling legislation. By 2025, the competitiveness of China’s new energy vehicle market will be significantly enhanced, with the sales volume of NEVs reaching about 20% of the total sales volume of new vehicles.

According to the Regulations for the Administration of New Energy Storage Projects (Interim) (《新型儲能項目管理規範(暫行)》) promulgated by the National Energy Administration on September 24, 2021, the competent energy department under the State Council is responsible for the planning, guidance, supervision and administration of new energy storage projects nationwide; the competent provincial energy department will, in accordance with the national development plan for new energy storage, study the key tasks of the region and guide the development of new types of energy in the region and provide guidance on energy storage development following the principles of integrated planning, adjusting measures to local conditions, innovation-driven, demonstrating first, market-oriented and orderly development, safety-based and standardized management.

According to the Action Plan for Promoting the Development of the Automotive EV Battery Industry (《促進汽車動力電池產業發展行動方案》) promulgated by the MIIT, the NDRC, the Ministry of Science and Technology (the “MOST”) and the MOF on February 20, 2017, the development of EV battery in China is promoted in three stages: In 2018, we will improve the cost performance of existing products to ensure the supply of high-quality battery. In 2020, we will achieve large-scale application of a new generation of lithium-ion EV battery based on the improvement of existing technologies. In 2025, we will adopt new battery systems based on new chemical principles and strive to achieve technological changes and development testing.

According to the Interim Measures for the Management of Recycling and Use of Power Storage Batteries for New Energy Vehicles (《新能源汽車動力蓄電池回收利用管理暫行辦法》) promulgated by the MIIT, the MOST, former Ministry of Environmental Protection, Ministry of Transportation, the MOFCOM, former General Administration of Quality Supervision, Inspection and Quarantine of the PRC and National Energy Administration on January 26, 2018 and became effective on August 1, 2018, vehicles manufacturers shall establish recycling channel for power storage batteries, to recycle wasted power storage batteries generated from the use and retirement of NEVs. Vehicles manufacturers shall establish recycling network, responsible for the collection, storage of the wasted and used power storage batteries and transferring them to its partnered enterprises. Vehicles manufacturers, batteries manufacturers, retired vehicles recycling and dismantling enterprises and comprehensive utilization enterprises are encouraged to jointly build and share recycling channel for wasted power storage batteries through various means.

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According to Requirements of the Industry Standards for the Comprehensive Utilization of Wasted Power Storage Batteries of New Energy Vehicles (《新能源汽車廢舊動力蓄電池綜合利用行業規範條件》) and Interim Measures for the Administration of the Announcement of the Industry Standards for the Comprehensive Utilization of Wasted Power Storage Batteries of New Energy Vehicles (《新能源汽車廢舊動力蓄電池綜合利用行業規範公告管理暫行辦法》) promulgated by the MIIT on December 16, 2019 and became effective on the same date, enterprises that carry out echelon recovery or recycling recovery of wasted power storage batteries of NEVs shall follow the principle of echelon recovery first, and then recycling recovery to improve the comprehensive utilization according to the national and industrial standards and technical information such as dismantling, disassembling and historical data of power storage batteries provided by new energy vehicle manufacturers and other manufacturers. Established new energy vehicle manufacturers and EV batteries manufacturers are encouraged to participate in new comprehensive utilization projects.

LAWS AND REGULATIONS RELATING TO PRODUCTION SAFETY

According to the Production Safety Law of the PRC (《中華人民共和國安全生產法》) latest amended by the SCNPC on June 10, 2021 and came into effect on September 1, 2021, an enterprise shall (i) provide production safety conditions as stipulated in Production Safety Law of the PRC and other relevant laws, administrative regulations, national and industry standards, (ii) establish a comprehensive production safety accountability system and production safety rules, and (iii) develop production safety standards to ensure production safety. Any entity that fails to provide required production safety conditions is prohibited from engaging in production activities.

The person-in-charge of an enterprise shall be fully responsible for the safety of production of the enterprise. An enterprise having more than 100 employees shall establish a production safety management institution or be equipped with dedicated production safety management personnel. Personnel who is responsible for managing production safety shall inspect the safety of production regularly based on the characteristics of production of the enterprise and shall deal with any safety issue identified during the inspection in a timely manner. Any unsolved issue shall be reported to the person-in-charge in a timely manner and the person-in-charge shall solve such issue immediately. The inspection and measures taken shall be duly recorded. Enterprises and institutions shall provide their employees with training on production safety and shall truthfully inform their employees of any potential risks in relation to the workplace and duties, preventive measures and emergency measures. In addition, an enterprise shall provide its employees with protective equipment that meet the national or industry standards and supervise and train them to use such equipment.

According to the Measures for the Supervision and Administration of “Three Simultaneities” for the Safety Facilities of Construction Projects (《建設項目安全設施「三同時」監督管理辦法》) promulgated by the former State Administration of Work Safety (currently known as the Ministry of Emergency Management) on December 14, 2010 and amended on April 2, 2015, the safety facilities in a newly built, reconstructed or expanded construction project must be designed, constructed and put into use in production simultaneously with the main body of the project. The enterprises shall demonstrate and pre-assess the safety conditions of its construction projects, make a safety design chapter, submit to the relevant work safety administrative department for examination or filing, and

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apply to the work safety administrative department for the completion and acceptance or the filing of its projects. If an enterprise violates the relevant requirements, it may be warned and be ordered to make corrections within a specified time limit. Failure to make correction within the specified time limit may result in the enterprise being ordered to discontinue the construction process or suspend its production and business operation for rectification, and being imposed a fine.

LAWS AND REGULATIONS RELATING TO RADIATION SAFETY

According to the Law of the PRC on Prevention and Control of Radioactive Pollution (《中華人民共和國放射性污染防治法》) promulgated by the SCNPC on June 28, 2003 with effect from October 1, 2003, an entity producing, selling or using radioisotope and ray devices shall, in accordance with the relevant provisions of the State Council on prevention of radioactivity from the radioisotope and ray devices, apply to obtain a permit, and make registration accordingly. An entity producing, selling, using or storing radioactive sources shall set up a sound and safe security system, designate special person to be responsible for the system, ensure the implementation of the system of liability for safety, and formulate the necessary measures for addressing emergencies in accidents.

According to the Regulations on the Security and Protection of Radioisotope and Radioactive Ray Devices (《放射性同位素與射線裝置安全和防護條例》), which were promulgated by the State Council on September 14, 2005 and revised on July 29, 2014, and March 2, 2019, and Measures for Administration of the Safety Licensing of Radioactive Isotopes and Radioactive Equipment (《放射性同位素與射線裝置安全許可管理辦法》), which were promulgated by the former Ministry of Environmental Protection on January 18, 2006 and revised on November 21, 2008, December 12, 2017, August 22, 2019 and January 4, 2021, stipulate that any entity producing, selling or using radioisotopes or radiation-emitting devices of different categories shall obtain a radiation safety license (輻射安全許可證).

LAWS AND REGULATIONS RELATING TO PRODUCT QUALITY

According to the Product Quality Law of the PRC (《中華人民共和國產品質量法》) (the "Product Quality Law"), promulgated on February 22, 1993 and amended on July 8, 2000, August 27, 2009 and December 29, 2018 by the SCNPC, producers and sellers shall establish a sound internal product quality control system and strictly adhere to a job responsibility system in relation to quality standards and quality liabilities together with implementing corresponding examination and inspection measures. The counterfeiting or imitation of quality marks such as certification marks is prohibited; falsifying the place of origin of product, and falsifying or imitating the name or address of another factory is prohibited; adulteration of, or mixing of improper elements with products under manufacturing or on sale, passing off the sham as the genuine or passing off the inferior as the superior is prohibited. Any manufacturer or seller who violates the Product Quality Law may be subject to (i) administrative penalties including suspension of production or sale, ordered correction of illegal activities, confiscation of products subject to illegal production or sale, imposition of fines, confiscation of illegal gains and, in severe cases, revocation of business license; and (ii) criminal liabilities if the illegal activity constitutes crime.

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LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

According to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) (“Environmental Protection Law”) promulgated by the SCNPC on December 26, 1989, amended on April 24, 2014 and implemented on January 1, 2015, the Law of the PRC on Environmental Impact Assessment (《中華人民共和國環境影響評價法》) promulgated by the SCNPC on October 28, 2002 and amended on July 2, 2016 and December 29, 2018, the Regulations on the Administration of Environmental Protection for Construction Project (《建設項目環境保護管理條例》) promulgated by the State Council of the PRC on November 29, 1998 and came into effect on November 29, 1998, amended on July 16, 2017 and implemented on October 1, 2017, Administration Regulations on Record-filing of the Registration Forms of Construction Projects (《建設項目環境影響登記表備案管理辦法》) promulgated by former Ministry of Environmental Protection of PRC on November 16, 2016 and came into effect on January 1, 2017, the Interim Measures on Environmental Protection Acceptance of Construction Projects (《建設項目竣工環境保護驗收暫行辦法》) promulgated by former Ministry of Environmental Protection of PRC on November 20, 2017 and effective on November 20, 2017 and other relevant environmental laws and regulations, entities generating environmental pollution and other public hazards must incorporate environmental protection measures into their plans and set up a responsibility system of environmental protection. Construction projects shall go through the environmental impact assessment procedure accordingly. The construction projects which may have significant impact on the environment shall prepare an environmental impact report with full assessment of their impact on the environment while those projects which have less severe environmental impact are required to prepare an environmental impact report regarding analysis or specific assessment of the environmental impacts, and those projects which have slight impact on the environment are not required to conduct environment impact assessment but need to complete the environmental impact registration form.

Pollution prevention facilities for construction projects must be designed, constructed and launched into production and use at the same time with the main part of the projects. Construction projects for which an environmental impact report or an environmental impact report form is prepared can only be put into operation after the acceptance of environmental protection facilities. Enterprises and public institutions discharging pollutants must report to and register with relevant authorities in accordance with the provisions promulgated by the environmental protection administrative authority under the State Council. Relevant authorities have the authority to impose penalties on individuals or entities which have breached the environmental regulations. The penalties that can be imposed include issuing a warning, the suspension of operation of pollution prevention facilities for construction projects where such facilities are uncompleted or fail to meet the prescribed requirements but are put into operation, the reinstallation of pollution prevention facilities which have been dismantled or left idle, administrative sanctions against the office-in-charge, the suspension of business operations or the shut-down of an enterprise or public institution. Fines could also be imposed together with these penalties.

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Air Pollution

According to the Atmospheric Pollution Prevention and Control Law of the PRC (《中華人民共和國大氣污染防治法》) promulgated by the SCNPC on September 5, 1987 and amended on August 29, 1995, April 29, 2000, August 29, 2015 and October 26, 2018, respectively, construction, renovation and expansion projects which discharge air pollutants shall comply with regulations regarding environmental protection of construction projects. The environmental impact assessment report regarding a construction project, which is subject to the approval of the environmental protection administrative authorities, shall include an assessment on the air pollution the project is likely to produce and its potential impact on the ecological environment. No construction projects may be put into operation before adequate facilities for prevention and control of air pollution have been inspected and accepted by the environmental protection administrative authorities. Construction projects which have an impact on the atmospheric environment shall conduct the environmental impact assessment, and that discharge of pollutants to the atmosphere shall conform to the atmospheric pollutant discharge standards and abide by the total quantity control requirements for the discharge of key atmospheric pollutants.

Solid Waste

According to the Law of the PRC on the Prevention and Control of Environment Pollution Caused by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》) promulgated by the SCNPC on October 30, 1995, amended on December 29, 2004, June 29, 2013, April 24, 2015, November 7, 2016 and April 29, 2020, respectively, and implemented on September 1, 2020, construction projects where solid wastes are generated or projects for storage, utilisation or disposal of solid wastes shall be subject to environmental impact assessment. Facilities for the prevention and control of solid wastes are required to be designed, constructed and put into use or operation simultaneously with the main part of the construction project. No construction projects may be put into operation before its facilities for the prevention and control of solid wastes have been inspected and accepted by the competent environmental protection administrative authorities.

Water Pollution

According to the Water Pollution Prevention and Control Law of the PRC (《中華人民共和國水污染防治法》) promulgated by the SCNPC on May 11, 1984, amended on May 15, 1996, February 28, 2008 and June 27, 2017, respectively, and implemented on January 1, 2018, construction, renovation and expansion projects and other upper-water facilities that directly or indirectly discharge pollutants to water are subject to environmental impact assessment. In addition, water pollution prevention facilities are required to be designed, constructed and put into operation simultaneously with the main part of the project. From January 1, 2018, water pollution prevention facilities are required to be complied with the requirements in the environmental impact report approved by and filed with the competent authorities.

REGULATORY OVERVIEW

Noise Pollution

According to the Law of the PRC on Prevention and Control of Pollution From Environmental Noise (《中華人民共和國環境噪聲污染防治法》) promulgated by the SCNPC on October 29, 1996, amended on December 29, 2018 and implemented on December 29, 2018, construction, renovation or expansion projects must conform to the regulations of environmental protection. Where a construction project might cause environmental noise pollution, the enterprises undertaking the project must prepare an environmental impact report which includes the measures it takes to prevent and control such noise pollution, and submit it, following the procedures prescribed by the State, to the competent administrative department for environmental protection for approval. Facilities for prevention and control of environmental noise pollution must be designed, constructed and put into use simultaneously with the main part of a construction project.

Environmental Protection Tax Law

According to the Environmental Protection Tax Law of the PRC (《中華人民共和國環境保護稅法》) promulgated by the SCNPC on December 25, 2016, amended on October 26, 2018 and implemented on the same day, and the Regulations for the Implementation of the Environmental Protection Tax Law of the PRC (《中華人民共和國環境保護稅法實施條例》) came into effective on January 1, 2018, (i) enterprises, public institutions and other producers and operators that directly discharge pollutants to the environment within the territory of the PRC and other sea areas under the jurisdiction of the PRC are taxpayers of environmental pollution tax, and shall pay environmental pollution tax in accordance with the aforementioned laws and regulations, (ii) the Administrative Regulations on the Collection and Use of Pollutant Discharge Fees (《排污費徵收使用管理條例》) was repealed and no more pollutant discharge fees shall be collected. According to the Environmental Protection Law, in the event that an entity discharges pollutant in violation of the pollutant discharge standards or volume control requirement, the entity would be subject to administrative penalties, including order to suspend business for rectification, and even order to terminate or close down business under severe circumstances.

LAWS AND REGULATIONS RELATING TO IMPORT AND EXPORT OF GOODS

According to the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) promulgated by the SCNPC on May 12, 1994, amended on April 6, 2004 and November 7, 2016, foreign trade operators engaged in goods or technology import and export are required to go through the record-filing registration procedures with the competent department of foreign trade under the State Council or its entrusted institutions, except for those that are not required to complete the record-filing registration as prescribed by laws, administrative regulations and the provisions of the competent department of foreign trade under the State Council. Where a foreign trade operator fails to go through the record-filing registration formalities according to relevant provisions, the customs are entitled to refuse to handle the formalities for declaration and clearance of goods imported or exported by the operator.

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According to the Administrative Provisions on the Registration of Customs Declaration Entities of the PRC (《中華人民共和國海關報關單位註冊登記管理規定》), promulgated by the General Administration of Customs of the PRC on March 13, 2014, amended on December 20, 2017 and May 29, 2018 and effective on July 1, 2018, import and export of goods shall be declared by the consignor or consignee itself, or by a customs declaration enterprise entrusted by the consignor or consignee and duly registered with the customs authority. In accordance with the Provisions on the Administration of Recordation of Customs Declaration Entities of the PRC (《中華人民共和國海關報關單位備案管理規定》) published by the General Administration of Customs of the PRC on November 19, 2021, and effective as of January 1, 2022, customs declaration entities mean consignees or consignors of imports and exports and customs declaration enterprises which have filed record with the Customs pursuant to these Provisions. Consignees or consignors of imports and exports and customs declaration enterprises applying for filing shall obtain market entity qualification; in the case of consignees or consignors of imports and exports applying for filing, they shall also complete filing formalities for foreign trade operators. The Administrative Provisions on the Registration of Customs Declaration Entities of the PRC was repealed simultaneously.

LAWS AND REGULATIONS RELATING TO LABOR, SOCIAL INSURANCE AND HOUSING PROVIDENT FUND

Labor Contract

According to the Labor Law of the PRC (《中華人民共和國勞動法》) promulgated by the SCNPC on July 5, 1994, effective on January 1, 1995 and amended on August 27, 2009 and December 29, 2018 respectively, the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) promulgated by the SCNPC on June 29, 2007, effective on January 1, 2008 and amended on December 28, 2012 and the Implementing Regulations of the Labor Contracts Law of the PRC (《中華人民共和國勞動合同法實施條例》) promulgated by the State Council on September 18, 2008, effective on the same date, labor relationships between employers and employees must be executed in written form. Wages may not be lower than the local minimum wage. Employers must establish a system for labor safety and sanitation, and strictly abide by state standards and provide relevant education to its employees. Employees are also required to work in safe and sanitary conditions.

Social Insurance and Housing Provident Fund

According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) promulgated by the SCNPC on October 28, 2010, recently amended and effective on December 29, 2018, the Administrative Regulations on Housing Provident Fund of the PRC (《中華人民共和國住房公積金管理條例》) recently amended by the State Council and effective on March 24, 2019 and the Provisional Regulations on Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) recently amended by the State Council and effective on March 24, 2019, a domestic enterprise shall pay premium for basic pension insurance, unemployment insurance, maternity insurance, work injury insurance, basic medical insurance and housing provident fund for its employees at an appropriate percentage based on

REGULATORY OVERVIEW

the amounts stipulated by the laws. Employers who fail to promptly contribute social insurance premiums in full amount shall be ordered by the social insurance premium collection agency to make or supplement contributions within a stipulated period, and shall be subject to a penalty for late payment from the due date at the rate of 0.05% per day; where payment is not made within the stipulated period, the relevant administrative authorities shall impose a fine ranging from one to three times the amount of the amount in arrears.

According to the Opinions of the Office of the State Council on Comprehensively Promoting the Implementation of the Merger of Maternity Insurance and the Basic Medical Insurance for Employees (《國務院辦公廳關於全面推進生育保險和職工基本醫療保險合併實施的意見》) (Guo Ban Fa [2019]10), the State facilitates the incorporation of maternity insurance fund into basic medical insurance fund of employees for unified payment.

REGULATIONS RELATING TO INTELLECTUAL PROPERTY

Patent

According to the Patent Law of the PRC (《中華人民共和國專利法》) promulgated by the SCNPC on March 12, 1984, effective on April 1, 1985, recently amended on October 17, 2020 and effective on June 1, 2021 as well as the Implementation Regulations for the Patent Law of the PRC (《中華人民共和國專利法實施細則》) promulgated by the State Council on December 21, 1992, effective on January 1, 1993 and recently amended on January 9, 2010 and effective on February 1, 2010, inventions refer to inventions, utility models and designs. Inventions refer to new technical solutions for a product, method or its improvement. Utility models refer to new technical solutions for the shape, structure or the combination of both shape and structure of a product, which is applicable for practical use. Designs refer to new designs of the shape, pattern or the combination of shape and pattern, or the combination of the color, the shape and pattern of the whole or part of product with esthetic feeling and industrial application value. The validity period of patent for inventions is 20 years, while the validity period of patent for utility models is 10 years, and the validity period of patent for designs is 15 years, all starting from the date of application.

An invention-creation that is accomplished by a person in the course of performing any task for an entity to which the person belongs, or mainly by using materials or technical means of the said entity is a service invention-creation. For a service invention-creation, the right to apply for a patent belongs to the entity. After the relevant application is approved, the entity shall be the patentee. The entity may dispose of the right to apply for patents and patent rights of its invention-creation in accordance with the law and promote the implementation and utilization of the relevant invention-creation. The entity to which a patent right is granted shall reward the inventor or designer of such service invention-creation; after the implementation of the invention-creation patent, the inventor or designer shall be remunerated reasonably according to the scope of marketing and application and the economic benefits obtained. The State encourages the entities to which a patent right is granted to implement property rights incentives by way of equity, option, dividends, etc., so that inventors or designers can enjoy the proportion of profits of innovation.

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Trademark

The Trademark Law of the PRC (《中華人民共和國商標法》) considered and approved by the SCNPC on August 23, 1982, effective on March 1, 1983 and recently amended on April 23, 2019 and effective on November 1, 2019, and the Implementation Rules of the Trademark Law of the PRC (《中華人民共和國商標法實施條例》) recently amended by the State Council on April 29, 2014 and effective on May 1, 2014, stipulate the application, examination and approval, renewal, alternation, transfer, use and invalidation of trademark registration, and protect the trademark rights entitled to trademark registrants. According to the aforesaid laws and regulations, the registration of a trademark shall be valid for ten years from the date of approval. If there is a continued need for the use of trademark, a renewal shall be made in accordance with requirements within 12 months before the expiry of the trademark registration. If the renewal is not made within the stipulated period, the valid period may be extended for a further period of six months. Each renewal of registration of trademark shall be valid for ten years from the date of the expiry of the previous trademark registration. A trademark registrant may license others the right to use his/her trademark by entering into a trademark license agreement.

Copyright

According to the Copyright Law of the PRC (《中華人民共和國著作權法》) considered and approved by the SCNPC on September 7, 1990, effective on June 1, 1991, recently amended on November 11, 2020 and effective on June 1, 2021, works of Chinese citizens, legal persons or unincorporated organizations, i.e. intellectual achievements in the field of literature, art and science that are original and can be expressed in a certain form, whether published or not, are entitled to copyright in accordance with the Copyright Law. Copyright includes a series of personal and property rights such as the right of publication, the right of authorship, the right of modification, the right to protect the integrity of the work and the right of reproduction.

According to the Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》) promulgated by the National Copyright Administration on February 20, 2002 and the Regulation on Computers Software Protection (《計算機軟件保護條例》) amended by the State Council on January 30, 2013 and effective on March 1, 2013, the National Copyright Administration is mainly responsible for the registration and management of software copyright in China and recognizes the China Copyright Protection Center as the software registration organization. The China Copyright Protection Center shall grant certificates of registration to computer software copyright applicants in compliance with the regulations of the Measures for the Registration of Computer Software Copyright and the Regulation on Computers Software Protection.

REGULATORY OVERVIEW

Domain Names

According to the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》) promulgated by the MIIT on August 24, 2017 and effective from November 1, 2017, the establishment of domain name root servers and domain name root server operation institutions, domain name registration management institutions and domain name registration service institutions within the territory of the PRC shall obtain permission from the MIIT or the communications administration department of the province, autonomous region or municipality directly under the Central Government. The principle of "first come, first served" applies to domain name registration service. The Notice of the Ministry of Industry and Information Technology on Regulating the Use of Domain Names in Internet Information Services (《工業和信息化部關於規範互聯網信息服務使用域名的通知》), which was promulgated by the MIIT on November 27, 2017 and came into effect on January 1, 2018, stipulates the obligations of Internet information service providers and other entities to combat terrorism and maintain network security.

REGULATIONS RELATING TO THE EIT

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) latest amended by the SCNPC and came into effect on December 29, 2018 and the Implementation Rules of the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例) latest amended by the State Council and coming into effect on April 23, 2019, an enterprise which is established within the PRC in accordance with the laws or established in accordance with any laws of foreign country (region) but with an actual management entity within the PRC shall be regarded as a resident enterprise. A resident enterprise shall be subject to an EIT of 25% of any income generated within or outside the PRC. Preferential enterprise income tax is granted to industries and projects that are supported and encouraged by the country. For high and new technology enterprises that need the support of the country are entitled to enjoy the reduced enterprise income tax rate of 15%.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

OVERVIEW

We are the leader and a pioneer in the EV battery industry. We are mainly engaged in the design, R&D, production and sales of EV batteries and ESS products. We are committed to providing high quality products and comprehensive solutions to customers. We have profound R&D capabilities, advanced manufacturing technology, rigorous quality control measures and efficient operations. In terms of installed capacity in 2021, we were the only company with over 100% year-on-year growth rate from 2019 to 2021 among the top ten EV battery companies in China according to Frost & Sullivan.^{Note}

The history of our Company can be traced back to December 8, 2015 when our Company was established as a limited liability company in Changzhou City, Jiangsu Province, the PRC, and Luoyang Company was the controlling shareholder of our Company at that time and ultimately controlled by AVIC. Luoyang Company was established in September 2009 in Luoyang City, Henan Province, the PRC, and wholly owned by the Missile Academy, which is a public institution established by AVIC. Luoyang Company is principally engaged in the design, R&D, production and sales of EV battery and ESS products. Subsequently, our Company carried out restructuring in 2019. In April 2019, Luoyang Company transferred its 30% equity interests in our Company to Chengfei Integration while making capital increases to our Company through Chengfei Integration, Jinsha Investment and Huake Investment. Upon the completion of the restructuring in July 2019, our Company became ultimately controlled by the Jintan Group.

Between August 2019 and November 2021, our Company went through a series of capital increase and brought in new Shareholders and [REDACTED] Investors. Please see the paragraph headed “Our Corporate Development” in this section for further details. On October 30, 2021, all the then Shareholders entered into a promoters’ agreement, pursuant to which our Company was converted into a joint stock liability company. On November 18, 2021, we changed our name from CALB Technology Holding Co., Ltd.* (中航鋰電科技股份有限公司) to CALB Co., Ltd. (中創新航科技股份有限公司).

Note: Entities with installed capacities of less than 0.1 GWh for two years in a row are not applied for calculating year-on-year growth rate.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

OUR BUSINESS DEVELOPMENT MILESTONES

The following is a summary of our key business development milestones:

Time	Milestone
2015	Our Company was established by Jinsha Investment, Louyang Company and Huake Investment as the initial Shareholders in Changzhou City, Jiangsu Province, the PRC, in December.
2016	Jiangsu Research Institute was established in Changzhou City, Jiangsu Province, the PRC, in November.
2018	We initiated strategic restructuring and implemented strategic transformation, and focused on the passenger vehicles market in July.
2019	Xiamen Company was established in Xiamen City, Fujian Province, the PRC, in July.
2020	According to Frost & Sullivan, our installed capacity of EV batteries ranked second among third-party EV battery companies in the PRC and seventh globally among EV battery companies.
2021	<p>In April, Germany Company was established in Germany.</p> <p>In May, Shenzhen Research Institute was established in Shenzhen City, Guangdong Province, the PRC. In the same month, Chengdu Company was established in Chengdu City, Sichuan Province, the PRC.</p> <p>In June, Jiangsu Company was established in Changzhou City, Jiangsu Province, the PRC.</p> <p>In July, Wuhan Company was established in Wuhan City, Hubei Province, the PRC.</p> <p>In September, Hefei Company was established in Hefei City, Anhui Province, the PRC.</p> <p>According to Frost & Sullivan, our installed capacity of EV batteries ranked second among third-party EV battery companies in the PRC and seventh globally among EV battery companies.</p>
2022	<p>In January, Materials Company was established in Meishan City, Sichuan Province, the PRC.</p> <p>In February, Fujian Company was established in Xiamen City, Fujian Province, the PRC. In the same month, Jiangmen Company was established in Jiangmen City, Guangdong Province, the PRC.</p>

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

OUR CORPORATE DEVELOPMENT

Establishment of our Company

Our Company was established in Changzhou City, Jiangsu Province, the PRC as a limited liability company on December 8, 2015 with an initial registered capital of RMB4,000 million. Upon its establishment, our Company was owned as to 50% by Jinsha Investment, which is a company ultimately controlled by the Government of Jintan District, 30% by Luoyang Company, which is a company ultimately controlled by AVIC at that time and 20% by Huake Investment, which is a company ultimately owned by the Government of Jintan District. Pursuant to provisions of the then effective articles of association of our Company dated December 8, 2015, Luoyang Company, as a Shareholder shall be entitled to exercise 51% of the voting rights in our Company. As such, Luoyang Company (which is ultimately controlled by AVIC) had been the controlling shareholder of our Company since its date of establishment and prior to the equity transfer and capital increases in July 2019.

Major changes in shareholding and corporate form

In order to obtain the funds for our Company’s development and continuously optimize the corporate governance structure, the Company has carried out a series of equity financing since its establishment, introducing new shareholders and [REDACTED] investors to our Group. The major changes in shareholding and corporate form of our Company are set out below:

Equity transfer and capital increases in July 2019

On April 22, 2019, Luoyang Company and Chengfei Integration entered into an equity transfer agreement, pursuant to which, Luoyang Company agreed to transfer its 30% equity interests in our Company to Chengfei Integration at a consideration of RMB1,094.28 million which was determined with reference to the net asset value of our Company as of June 30, 2018 as valued by an independent valuer. Such consideration was settled by Chengfei Integration by offsetting an equivalent amount payable by Luoyang Company to Chengfei Integration pursuant to a debt assignment and offset agreement entered into among Chengfei Integration, Luoyang Company and our Company on April 22, 2019 which provides, among other things (i) the consideration in the amount of RMB1,094.28 million (“**Luoyang Company Transfer Consideration**”) to be paid by our Company to Chengfei Integration in respect of the acquisition of 45% equity interest in Luoyang Company shall be assigned to and borne by Luoyang Company; and (ii) the consideration to be paid by Chengfei Integration to Luoyang Company in respect of the acquisition of 30% equity interest in our Company shall be offset against the Luoyang Company Transfer Consideration. Upon completion of the above assignment and offset, our Company owed Luoyang Company an amount of RMB1,094.28 million, which has been fully settled by our Company as of the Latest Practicable Date.

Upon completion of the aforesaid equity transfer in July 2019, our Company was owned as to 50% by Jinsha Investment, 30% by Chengfei Integration and 20% by Huake Investment, respectively.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

On April 22, 2019, our Company entered into a capital increase agreement with Chengfei Integration, Jinsha Investment and Huake Investment, pursuant to which, each of Chengfei Integration, Jinsha Investment and Huake Investment agreed to subscribe for certain amount of the increased registered capital of our Company, further details of which are set out in the table below:

Name of Shareholders	The amount of increased registered capital subscribed for <i>(RMB million)</i>	Percentage of the increased registered capital of our Company <i>(%)</i>	Form of capital contribution	Consideration <i>(RMB million)</i>
Chengfei Integration	408.29	9.10	18.98% equity interests in Luoyang Company and 35% equity interests in Jiangsu Research Institute	514.44
Jinsha Investment	51.33	1.14	9.38% equity interests in Luoyang Company	228.09
Huake Investment	27.68	0.62	65% equity interests in Jiangsu Research Institute	98.39
Total	<u>487.30</u>			<u>840.93</u>

The considerations in respect of the aforementioned capital increases were determined after arm’s length negotiation among the parties with reference to the net asset value of our Company, Jiangsu Research Institute and Luoyang Company respectively as of 30 June, 2018 as valued by an independent valuer and taking into account of the individual circumstances of each of the subscribers including its background and relationship with our Company.

Our Company completed the registration with the Administration for Market Regulation of Jintan District (金壇區市場監督管理局) (“**Jintan AMR**”) in respect of the abovementioned equity transfer and capital increases on July 1, 2019. Upon completion, the registered capital of our Company was increased from RMB4,000.00 million to approximately RMB4,487.30 million and our Company was owned as to 45.71% by Jinsha Investment, 35.84% by Chengfei Integration and 18.45% by Huake Investment, respectively. According to the then effective articles of association of our Company, after the abovementioned equity transfer and capital increases, the Shareholders shall exercise the voting rights in our Company in proportion to their respective shareholding percentage in our Company. Consequently, our Company became ultimately controlled by the Jintan Group.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Capital increases in August 2019 (introduction of Lihang Jinzhi and Jinyuan Industry as our [REDACTED] Investors)

On July 29, 2019, Jinsha Investment, Chengfei Integration, Huake Investment, Lihang Jinzhi, Jinyuan Industry and our Company entered into a capital increase agreement, pursuant to which, Lihang Jinzhi agreed to subscribe for the increased registered capital of RMB1,509.55 million at the consideration of RMB1,510 million, and Jinyuan Industry agreed to subscribe for the increased registered capital of RMB399.88 million at the consideration of RMB400 million. The amounts of RMB452,864 and RMB119,864 in excess of the registered capital respectively were included in our Company’s capital reserve. The considerations in respect of the aforementioned capital increases were determined after arm’s length negotiation among the parties with reference to the net asset value of our Company as of 30 June, 2018 as valued by an independent valuer. All the funds for capital increase from Jinyuan Industry were received by our Company in July 2019 and all the funds for capital increase from Lihang Jinzhi were received by our Company in July and December 2019, respectively. For further details of investment made by Lihang Jinzhi and Jinyuan Industry as our [REDACTED] Investors, please see “[REDACTED] Investments” in this section.

Our Company completed the registration with Jintan AMR in respect of the abovementioned capital increases on August 14, 2019. Upon completion of such capital increases, the registered capital of our Company was increased from approximately RMB4,487.30 million to approximately RMB6,396.73 million. The shareholding structure of our Company after completion of capital increase is shown in the table below:

Name of Shareholders	Registered capital held in our Company (RMB million)	Approximate equity interests percentage in our Company (%)
Jinsha Investment	2,051.33	32.07
Chengfei Integration	1,608.29	25.14
Huake Investment	827.68	12.94
Lihang Jinzhi ^(Notes 1 & 2)	1,509.55	23.60
Jinyuan Industry ^(Note 1)	399.88	6.25
Total	6,396.73	100

Notes:

- Lihang Jinzhi is controlled by Jinyuan Industry according to its partnership agreement, therefore Jinyuan Industry will directly and indirectly hold 29.85% equity interests in our Company after completion of the capital increases in August 2019.
- Lihang Jinzhi (being one of our [REDACTED] Investors) is a limited partnership jointly established by Jinyuan Industry and Xiamen Lihang Equity Investment which subscribed for approximately 99.34% and 0.66% of Lihang Jinzhi’s capital, respectively. The executive partner of Lihang Jinzhi is Xiamen Lihang Equity Investment, which is one of our Employee Shareholding Platforms established for the purpose of the implementation of the 2019 Share Incentive Scheme. For further details of the 2019 Share Incentive Scheme, please see “Statutory and General Information – 5. Share Incentive Schemes – A. 2019 Share Incentive Scheme” in Appendix VI to this document.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Capital increase in March 2020 (introduction of Jinyuan Investment as one of our [REDACTED] Investors)

On January 20, 2020, our Company entered into a capital increase agreement with Jinsha Investment, Chengfei Integration, Huake Investment, Lihang Jinzhi, Jinyuan Industry and Jinyuan Investment, pursuant to which, Jinyuan Investment (a company controlled by the Finance Bureau of Xiamen City* (廈門市財政局)) agreed to subscribe for the increased registered capital of approximately RMB599.82 million at the consideration of RMB600 million, the amount of RMB179,946 exceeding the increased registered capital was included in our Company’s capital reserve. The consideration in respect of the aforementioned capital increase was determined after arm’s length negotiation among the parties with reference to the net asset value of our Company as of 30 June, 2018 as valued by an independent valuer. The fund for aforesaid capital increase from Jinyuan Investment was received by our Company in January 2020. Please see “[REDACTED] Investments” in this section for further details of Jinyuan Investment and its [REDACTED] Investment.

Our Company completed the registration with Jintan AMR in respect of the abovementioned capital increases on March 16, 2020. Upon completion, the registered capital of our Company was increased from approximately RMB6,396.73 million to approximately RMB6,996.55 million. The shareholding structure of our Company after completion of the capital increase is shown in the table below:

Name of Shareholders	Registered capital held by our Company (RMB million)	Approximate equity interests percentage in our Company (%)
Jinsha Investment	2,051.33	29.32
Chengfei Integration	1,608.29	22.99
Huake Investment	827.68	11.83
Lihang Jinzhi ^(Notes 1 & 2)	1,509.55	21.58
Jinyuan Industry ^(Note 1)	399.88	5.72
Jinyuan Investment ^(Note 1)	599.82	8.57
Total	6,996.55	100

Notes:

- Both Lihang Jinzhi and Jinyuan Industry are actually controlled by Jinyuan Investment, and therefore Jinyuan Investment will indirectly and directly hold 35.87% equity interest in our Company after completion of the capital increase in March 2020.
- Lihang Jinzhi (being one of our [REDACTED] Investors) is a limited partnership jointly established by Jinyuan Industry and Xiamen Lihang Equity Investment which subscribed for approximately 99.34% and 0.66% of Lihang Jinzhi’s capital, respectively. The executive partner of Lihang Jinzhi is Xiamen Lihang Equity Investment, which is one of our Employee Shareholding Platforms established for the purpose of the implementation of the 2019 Share Incentive Scheme. For further details of the 2019 Share Incentive Scheme, please see “Statutory and General Information – 5. Share Incentive Schemes – A. 2019 Share Incentive Scheme” in Appendix VI to this document.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Capital increases in December 2020

1. Capital increases by Jinsha Investment and Huake Engineering

On November 13, 2020, our Company and all original shareholders of our Company entered into a capital increase agreement with Jinsha Investment, pursuant to which, Jinsha Investment agreed to subscribe for the increased registered capital of approximately RMB631.50 million at the consideration of RMB650 million which was settled by Jinsha Investment by offsetting a loan in the amount of RMB650 million granted to our Company by Jinsha Investment. The value of the aforesaid loan was determined with reference to the valuation by an independent valuer.

On the same day, our Company and all original shareholders of our Company entered into a capital increase agreement with Huake Engineering, pursuant to which, Huake Engineering, a company ultimately controlled by the Government of Jintan District, agreed to subscribe for the increased registered capital of approximately RMB1,049.79 million at the consideration of approximately RMB1,080.55 million. Such consideration was settled by Huake Engineering by transferring non-monetary assets (including land, buildings and equipment etc.) to our Company. The value of aforesaid non-monetary assets were determined with reference to the valuation by an independent valuer.

2. Introduction of 17 new [REDACTED] Investors

From November 10, 2020 to December 14, 2020, our Company, Jinsha Investment, Chengfei Integration, Lihang Jinzhi, Huake Investment, Jinyuan Industry and Jinyuan Investment entered into capital increase agreements with 17 [REDACTED] Investors, pursuant to which, such 17 [REDACTED] Investors agreed to subscribe for the total increased registered capital of approximately RMB3,886.14 million of our Company at an aggregate consideration of approximately RMB4,000 million. Please see “[REDACTED] Investments” in this section for further details of [REDACTED] Investments.

3. Capital increases by 11 Employee Shareholding Platforms

On November 19, 2020, our Company together with Jinsha Investment, Chengfei Integration, Lihang Jinzhi, Huake Investment, Jinyuan Industry and Jinyuan Investment entered into capital increase agreements with 11 Employee Shareholding Platforms respectively, pursuant to which, 11 Employee Shareholding Platforms agreed to subscribe for the total increased registered capital of approximately RMB204.80 million of our Company at an aggregate consideration of approximately RMB210.80 million. For further details, please see “Statutory and General Information – 5. Share Incentive Schemes – B. 2020 Share Incentive Scheme” in Appendix VI to this document.

The considerations in respect of the capital increases in December 2019 were determined with reference to the consideration paid by Jinyuan Investment for subscription of our increased registered capital in March 2020 as revised by a premium agreed by the parties. The funds for aforesaid capital increases were received by our Company in January 2021 (among which the total amount of approximately RMB5,772.22 million was increased registered capital and RMB169.13 million was included in the capital reserve of our Company).

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Our Company completed the registration with Jintan AMR in respect of the abovementioned capital increases on December 15, 2020. Upon completion, the registered capital of our Company was increased from approximately RMB6,996.55 million to approximately RMB12,786.77 million and the shareholding structure of our Company after completion of the capital increase is set forth in the table below:

Shareholders	Registered capital held in our Company (RMB million)	Approximate equity interests percentage in our Company (%)
Jinsha Investment	2,682.83	21.01
Chengfei Integration	1,608.29	12.60
Huake Engineering	1,049.79	8.22
Huake Investment	827.68	6.48
[REDACTED] Investors ^(Notes 1 & 3)	6,394.60	50.08
Employee Shareholding Platforms ^(Notes 2 & 3)	205.58	1.61
Total	12,768.77	100

Notes:

- Upon the completion of the capital increases in December 2020, there were a total of 20 [REDACTED] Investors, including Lihang Jinzhi, Guangqi Ruidian, Jinyuan Investment, China Insurance Investment Advanced Manufacturing, Jinyuan Industry, Hongshan Kaichen, Guolian Tongjin, Chenyi Pengqi, China Insurance Investment No.1 New Energy, Xiaomi Yangtze River Industry, Link Cornerstone, Ma’anshan Cornerstone, Jinli Investment, Guolian Tongwu, Guolian Tongkun, China Insurance Investment No. 2 New Energy, China Insurance Investment Strategic Emerging, Ma’anshan Shengtuo, Getian Star and Huaxian Automobile, which held approximately 11.82%, 5.33%, 4.70%, 4.34%, 3.13%, 3.04%, 2.94%, 2.62%, 2.36%, 2.28%, 1.37%, 1.11%, 1.07%, 0.89%, 0.86%, 0.76%, 0.76%, 0.30%, 0.26% and 0.15% of the equity interest in our Company, respectively.
- Upon the completion of the capital increases in December 2020, Xiamen Lihang Kaibo No. 1, Changzhou Lihang Kaibo No. 1, Changzhou Lihang Kaibo No. 2, Changzhou Lihang Kaibo No. 3, Changzhou Lihang Kaibo No. 4, Changzhou Lihang Kaibo No. 5, Changzhou Lihang Kaibo No. 6, Changzhou Lihang Kaibo No. 7, Changzhou Lihang Kaibo No. 8, Changzhou Lihang Kaibo No. 9 and Changzhou Lihang Kaibo No. 10, (being our Employee Shareholding Platforms) held approximately 0.48%, 0.14%, 0.11%, 0.09%, 0.11%, 0.20%, 0.13%, 0.05%, 0.17%, 0.07% and 0.06% of the equity interest in our Company, respectively.
- Lihang Jinzhi (being one of our [REDACTED] Investors) is a limited partnership jointly established by Jinyuan Industry and Xiamen Lihang Equity Investment which subscribed for approximately 99.34% and 0.66% of Lihang Jinzhi’s capital, respectively. The executive partner of Lihang Jinzhi is Xiamen Lihang Equity Investment, which is one of our Employee Shareholding Platforms established for the purpose of the implementation of the 2019 Share Incentive Scheme. For further details of the 2019 Share Incentive Scheme, please see “Statutory and General Information – 5. Share Incentive Schemes – A. 2019 Share Incentive Scheme” in Appendix VI to this document.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Equity transfer in October 2021 (introduction of Chuanghe Xincai as one of our [REDACTED] Investors)

On October 15, 2021, Jinyuan Investment entered into an equity transfer agreement with Chuanghe Xincai, pursuant to which, Jinyuan Investment agreed to transfer its approximately 1.57% equity interests in our Company to Chuanghe Xincai at a consideration of approximately RMB213.35 million. The consideration of such equity transfer was determined after arm’s length negotiation by Jinyuan Investment and Chuanghe Xincai based on Jinyuan Investment’s principal amount of investment plus the income based on the one-year overall loan prime rate published by the People’s Bank of China, and was paid by Chuanghe Xincai to Jinyuan Investment on October 15, 2021 in cash. Please see “[REDACTED] Investments” in the section for details of Chuanghe Xincai and its [REDACTED] investment.

Our Company completed the registration with Jintan AMR in respect of the abovementioned equity transfer on October 19, 2021. Upon completion, the shareholding structure of our Company is set forth in the table below:

Shareholders	Registered capital held by our Company (RMB million)	Approximate percentage of equity in our Company (%)
Jinsha Investment	2,682.83	21.01
Chengfei Integration	1,608.29	12.60
Huake Engineering	1,049.79	8.22
Huake Investment	827.68	6.48
[REDACTED] Investors ^(Notes 1 & 3)	6,394.60	50.08
Employee Shareholding Platforms ^(Notes 2 & 3)	205.58	1.61
Total	12,768.77	100

Notes:

- After the completion of the equity transfer in October 2021, there were 21 [REDACTED] Investors in total including Lihang Jinzhi, Guangqi Ruidian, Jinyuan Investment, China Insurance Investment Advanced Manufacturing, Jinyuan Industry, Hongshan Kaichen, Guolian Tongjin, Chenyi Pengqi, China Insurance Investment No. 1 New Energy, Xiaomi Yangtze River Industry, Link Cornerstone, Ma’anshan Cornerstone, Jinli Investment, Guolian Tongwu, Guolian Tongkun, China Insurance Investment No. 2 New Energy, China Insurance Investment Strategic Emerging, Ma’anshan Shengtuo, Getian Star, Huaxian Automobile and Chuanghe Xincai, which held approximately 11.82%, 5.33%, 3.13%, 4.34%, 3.13%, 3.04%, 2.94%, 2.62%, 2.36%, 2.28%, 1.37%, 1.11%, 1.07%, 0.89%, 0.86%, 0.76%, 0.76%, 0.30%, 0.26%, 0.15% and 1.57% of the equity interest in our Company, respectively.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

2. After the completion of the capital increase in November 2020, Xiamen Lihang Kaibo No. 1, Changzhou Lihang Kaibo No. 1, Changzhou Lihang Kaibo No. 2, Changzhou Lihang Kaibo No. 3, Changzhou Lihang Kaibo No. 4, Changzhou Lihang Kaibo No. 5, Changzhou Lihang Kaibo No. 6, Changzhou Lihang Kaibo No. 7, Changzhou Lihang Kaibo No. 8, Changzhou Lihang Kaibo No. 9, Changzhou Lihang Kaibo No. 10 (being our Employee Shareholding Platforms), held approximately 0.48%, 0.14%, 0.11%, 0.09%, 0.11%, 0.20%, 0.13%, 0.05%, 0.17%, 0.07% and 0.06% of the equity interest in our Company, respectively.
3. Lihang Jinzhi (being one of our [REDACTED] Investors) is a limited partnership jointly established by Jinyuan Industry and Xiamen Lihang Equity Investment which subscribed for approximately 99.34% and 0.66% of Lihang Jinzhi’s capital, respectively. The executive partner of Lihang Jinzhi is Xiamen Lihang Equity Investment, which is one of our Employee Shareholding Platforms established for the purpose of the implementation of the 2019 Share Incentive Scheme. For further details of the 2019 Share Incentive Scheme, please see “Statutory and General Information – 5. Share Incentive Schemes – A. 2019 Share Incentive Scheme” in Appendix VI to this document.

Reduction of registered capital and conversion to a joint stock limited company

On July 7, 2021, all of our then Shareholders passed a resolution to approve the reduction of our registered capital from RMB12,768.77 million to RMB1,200 million.

On October 29, 2021, all our then Shareholders passed resolutions approving, among other matters, the conversion of our Company from a limited liability company into a joint stock limited company.

Pursuant to the promoters’ agreement dated October 30, 2021 entered into by all the then Shareholders, all promoters approved the conversion of the net assets value of our Company as of April 30, 2021 into 1,200,000,000 Shares. On October 30, 2021, our Company convened our inaugural meeting and our first general meeting. Upon completion of the conversion, the registered capital of our Company was RMB1,200 million divided into 1,200,000,000 Shares with a nominal value of RMB1.00 each, which were subscribed by all the then Shareholders in proportion to their respective equity interests in our Company before the conversion. The conversion was completed on November 10, 2021.

Capital Increase in November 2021

1. Capital increase by Jintan International

On August 16, 2021, our Company entered into a capital increase agreement with Jintan International, pursuant to which, Jintan International agreed to subscribe for 24,000,000 Shares at a consideration of RMB1,000 million, with a premium of RMB976 million included in the capital reserve of our Company. The funds for capital increase were received by our Company by December 2021 from Jintan International.

Pursuant to the capital increase agreement entered into between Jintan International and our Company, Jintan International is not allowed to sell any of its Shares within a period of 36 months from the date on which the registration with the local industry and commerce department in respect of the capital increase has been completed, unless the lock-up period of Jintan International, as required by the relevant laws, regulations or securities authority, is terminated after our [REDACTED]. In accordance with the applicable PRC laws, Jintan International is not allowed to sell any of its Shares within 12 months after the [REDACTED].

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

2. *Capital increase by Xiamen Jinli No. 2 as our [REDACTED] Investor*

On August 19, 2021, our Company entered into a capital increase agreement with Xiamen Jinli No. 2, pursuant to which, Xiamen Jinli No. 2 agreed to subscribe for 24,000,000 Shares at a consideration of RMB1,000 million, with a premium of RMB976 million included in the capital reserve of our Company. The funds for capital increase were received by our Company on August 24, 2021.

3. *Further capital increase by Xiaomi Yangtze River Industry and Chuanghe Xincai as [REDACTED] investors*

On July 27, 2021, our Company entered into a capital increase agreement with Xiaomi Yangtze River Industry, pursuant to which, Xiaomi Yangtze River Industry agreed to subscribe for 12,000,000 Shares at a consideration of RMB500 million, with a premium of RMB488 million included in the capital reserve of our Company. The funds for aforesaid capital increase were received by our Company by August 6, 2021. Please see “[REDACTED] Investments” in this section for further details of the [REDACTED] Investment by Xiaomi Yangtze River Industry.

On July 26, 2021, our Company entered into a capital increase agreement with Chuanghe Xincai, pursuant to which, Chuanghe Xincai agreed to subscribe for 7,200,000 Shares at a consideration of RMB300 million, with a premium of RMB292.8 million included in the capital reserve of our Company. The funds for aforesaid capital increase were received by our Company by August 9, 2021. Please see “[REDACTED] Investments” in this section for further details of the [REDACTED] Investment by Chuanghe Xincai.

4. *Introduction of 18 new [REDACTED] Investors*

Between July 25, 2021 and August 23, 2021, our Company entered into capital increase agreements with 18 new [REDACTED] Investors, pursuant to which, such 18 [REDACTED] Investors agreed to subscribe for a total of 212,157,600 Shares at an aggregate consideration of approximately RMB8,839.9 million with a premium of RMB8,627.74 million included in the capital reserve of our Company. The funds for aforesaid capital increase were received by our Company by October 2021. Please see “[REDACTED] Investments” in this section for further details of the background of such 18 [REDACTED] Investors and their respective [REDACTED] Investments.

5. *Capital increase by Changzhou Lihang Kaibo No. 11 as a new Employees Shareholding Platform*

On September 1, 2021, our Company entered into a capital increase agreement with Changzhou Lihang Kaibo No. 11, pursuant to which, Changzhou Lihang Kaibo No. 11 agreed to subscribe for 8,642,400 Shares at a consideration of RMB360.10 million, with a premium of RMB351.4576 million included in the capital reserve of our Company. The funds for aforesaid capital increase were received by our Company by September 6, 2021. For further details, please see “Statutory and General Information – 5. Share Incentive Schemes – C. 2021 Share Incentive Scheme” of Appendix VI to this document.

The considerations in respect of the aforementioned capital increases in November 2021 were determined after arm’s length negotiation among the parties with reference to the net asset value of our Company as of December 31, 2020 as valued by an independent valuer.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

6. Capital increases by Luoyang Company Minority Shareholders

On October 15, 2021, our Company entered into the capital increase agreements with Shunying Investment, Zhongguancun Guosheng, Aviation Investment and Hongdu Airline, and on October 20, 2021, our Company entered into a capital increase agreement with the Missile Academy, pursuant to which, each of Luoyang Company Minority Shareholders subscribed for a total of 18,456,558 Shares. Details of which are as follows:

Name of Shareholder	Number of Shares subscribed	Amount included in capital reserve (RMB million)	Form of capital contribution	Consideration (RMB million)
Missile Academy	9,809,589	398.92	13.62% equity interests in Luoyang Company	408.73
Shunying Investment	3,481,314	141.57	4.84% equity interests in Luoyang Company	145.05
Zhongguancun Guosheng	2,150,116	87.44	2.99% equity interests in Luoyang Company	89.59
Aviation Investment	1,634,931	66.49	2.27% equity interests in Luoyang Company	68.12
Hongdu Airline	1,380,608	56.14	1.92% equity interests in Luoyang Company	57.53
Total	18,456,558	750.57	25.63% equity interests in Luoyang Company	769.02

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Pursuant to the respective capital increase agreement entered into between our Company and each of the Luoyang Company Minority Shareholders is not allowed to sell any of its Shares within a period of 36 months from the date on which the registration with the local industry and commerce department in respect of the capital increase has been completed, unless the lock-up period of the Luoyang Company Minority Shareholders, as required by the relevant laws, regulations or securities authority, is terminated after our [REDACTED]. Further, in accordance with the applicable PRC laws, the Luoyang Company Minority Shareholders are not allowed to sell any of their Shares within 12 months after the [REDACTED].

The considerations in respect of the aforementioned capital increases were determined after arm’s length negotiation among the parties with reference to the net asset value of our Company and Luoyang Company as of December 31, 2020, respectively, as valued by an independent valuer. For further details on the transfer of a total of 25.63% equity interests in Luoyang Company by Luoyang Company Minority Shareholders to our Company, please see “Acquisition and Disposal of Luoyang Company” in the section.

Our Company completed the registration with Changzhou Administration Approval Bureau* (常州市行政审批局) in respect of the abovementioned equity transfer on November 12, 2021. Upon completion, the share capital of our Company was increased to approximately RMB1,506.46 million divided into 1,506,456,558 Shares, and the shareholding structure of our Company is set forth in the table below:

Shareholders	Number of Shares held	Approximate shareholding percentage in our Company (%)
Jinsha Investment ^(Note 1)	252,130,281	16.74
Chengfei Integration	151,145,867	10.03
Huake Engineering ^(Note 1)	98,658,313	6.55
Huake Investment ^(Note 1)	77,785,163	5.16
Jintan International ^(Note 1)	24,000,000	1.59
[REDACTED] Investors ^(Notes 2 & 4 & 5)	856,571,199	56.86
Employee Shareholding Platforms ^(Notes 3 & 4)	27,709,177	1.85
Luoyang Company Minority Shareholders ^(Note 6)	18,456,558	1.22
Total	<u>1,506,456,558</u>	<u>100</u>

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Notes:

1. Jinsha Investment is wholly owned by Jintan Holding, which is controlled by the Government of Jintan District. Each of Huake Engineering and Huake Investment is wholly owned by Jintan Hualuogeng, which is owned as to 90% by Jinsha Investment. Jintan International is a company ultimately controlled by the Government of Jintan District.
2. Please see “[REDACTED] Investments” in this section for further details of our [REDACTED] Investors and their respective investment in our Company.
3. Upon the completion of the capital increase in November 2021, Changzhou Lihang Kaibo No. 11, Xiamen Lihang Kaibo No. 1, Changzhou Lihang Kaibo No. 1, Changzhou Lihang Kaibo No. 2, Changzhou Lihang Kaibo No. 3, Changzhou Lihang Kaibo No. 4, Changzhou Lihang Kaibo No. 5, Changzhou Lihang Kaibo No. 6, Changzhou Lihang Kaibo No. 7, Changzhou Lihang Kaibo No. 8, Changzhou Lihang Kaibo No. 9 and Changzhou Lihang Kaibo No. 10 (being our Employee Shareholding Platforms), held approximately 0.57%, 0.38%, 0.11%, 0.09%, 0.07%, 0.08%, 0.16%, 0.11%, 0.04%, 0.13%, 0.06% and 0.05% of the equity interests in our Company, respectively.
4. Lihang Jinzhi (being one of our [REDACTED] Investors) is a limited partnership jointly established by Jinyuan Industry and Xiamen Lihang Equity Investment which subscribed for approximately 99.34% and 0.66% of Lihang Jinzhi’s capital, respectively. The executive partner of Lihang Jinzhi is Xiamen Lihang Equity Investment, which is one of our Employee Shareholding Platforms established for the purpose of the implementation of the 2019 Share Incentive Scheme. For further details of the 2019 Share Incentive Scheme, please see “Statutory and General Information – 5. Share Incentive Schemes – A. 2019 Share Incentive Scheme” in Appendix VI to this document.
5. Xiamen Jinli No.2 (being one of our [REDACTED] Investors) is a limited partnership with Xiamen City Jinyuan Equity Investment Co., Ltd* (廈門市金圓股權投資有限公司) (“**Jinyuan Equity Investment**”) being its general partner. Jinyuan Equity Investment is ultimately controlled by Jinyuan Investment. For the information in respect of the interests held by Jinyuan Investment, please see the section headed “Substantial Shareholders” for further details.
6. As the Luoyang Company Minority Shareholders were the then shareholders of Luoyang Company which was a subsidiary of our Company prior to its disposal in November 2021, the Luoyang Company Minority Shareholders had interest in our Group since their respective investment in Luoyang Company and become Shareholders of our Company as part of our internal restructuring and are therefore not treated as our [REDACTED] Investors.

Change of Company Name in November 2021

On November 16, 2021, our then Shareholders passed a resolution to approve the change our Company name to CALB Co., Ltd. (中創新航科技股份有限公司). The change of our name was completed on November 18, 2021.

SUBSIDIARIES OF OUR COMPANY

As of the Latest Practicable Date, our Group had 11 subsidiaries, the details of which are as follows:

Jiangsu Research Institute

Jiangsu Research Institute was established in Changzhou City, Jiangsu Province, the PRC as a limited liability company on November 8, 2016 with an initial registered capital of RMB55 million. Upon its establishment, Jiangsu Research Institute was owned as to 65% by Jintan Hualuogeng, a company owned as to 90% by Jintan Holding and ultimately controlled by the Government of Jintan District, and 35% by Chengfei Integration. Subsequently, Jiangsu Research Institute carried out a series of equity transfers. Prior to the acquisition of all of its equity interest by our Company in April 2019, Jiangsu Research Institute was owned as of 65% and 35% by Huake Investment and Chengfei Integration, respectively.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

On April 22, 2019, Chengfei Integration, Jinsha Investment and Huake Investment and our Company entered into a capital increase agreement, pursuant to which, among others, (i) Chengfei Integration agreed to subscribe for certain amount of the increased registered capital of our Company, which was partially settled by Chengfei Integration by transferring its 35% equity interests in Jiangsu Research Institute to our Company; and (ii) Huake Investment agreed to subscribe for certain amount of the increased registered capital of our Company, which was settled by Huake Investment transferring its 65% equity interests in Jiangsu Research Institute to our Company.

Jiangsu Research Institute completed the registration with Jintan AMR in respect of the abovementioned equity transfers on July 1, 2019. Upon completion, Jiangsu Research Institute became a wholly-owned subsidiary of our Company. For further details in respect of the capital increases of our Company, please see “Equity transfer and capital increases in July 2019” in this section.

Jiangsu Research Institute is principally engaged in the R&D of EV battery and ESS products.

Xiamen Company

Xiamen Company was established in Xiamen City, Fujian Province, the PRC as a limited liability company on July 15, 2019 with a registered capital of RMB5,000 million. Upon its establishment and up to the Latest Practicable Date, Xiamen Company is a wholly-owned subsidiary of our Company.

Xiamen Company is principally engaged in the R&D, production and sales of EV battery and ESS products.

Shenzhen Research Institute

Shenzhen Research Institute was established in Shenzhen City, Guangdong Province, the PRC as a limited liability company on May 28, 2021 with a registered capital of RMB100 million. Upon its establishment and up to the Latest Practicable Date, Shenzhen Research Institute is a wholly-owned subsidiary of our Company.

Shenzhen Research Institute is principally engaged in the R&D of EV battery and ESS products.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Chengdu Company

Chengdu Company was established in Chengdu City, Sichuan Province, the PRC as a limited liability company on May 29, 2021 with a registered capital of RMB2 billion. Upon its establishment and up to the Latest Practicable Date, Chengdu Company was held as to 51% and 49% by our Company and Chengdu Heavy Industry Longjin, respectively.

Pursuant to an agreement dated May 25, 2021 entered into between our Company and Chengdu Economic and Technological Development Zone Management Committee* (成都經濟技術開發區管理委員會) and the investment agreement dated 29 May, 2021 entered into between our Company and Chengdu Heavy Industry Longjin, our Company agreed to acquire the entire interest held by Chengdu Heavy Industry Longjin in Chengdu Company within seven years from the date of establishment of Chengdu Company (the “**Chengdu Company Put Option**”). The exercise price of Chengdu Company Put Option shall be determined based on the appraised value of Chengdu Company as valued by the valuation institution recognized by both parties and filed with the State-owned assets supervision and administration department or the investment amount paid by Chengdu Heavy Industry Longjin for its entire interest in Chengdu Company (whichever is the higher). Such Chengdu Company Put Option will be terminated automatically and of no effect on the date when our Company submits our listing application for the listing of our Shares on any domestic or foreign stock exchange. If subsequently our Company withdraws our listing application or our listing application is not approved, such Chengdu Company Put Option will be automatically restored.

Chengdu Company is principally engaged in the R&D, production and sales of EV battery and ESS products.

Jiangsu Company

Jiangsu Company was established in Changzhou City, Jiangsu Province, the PRC as a limited liability company on June 23, 2021 with a registered capital of RMB6 billion. Upon its establishment and up to the Latest Practicable Date, Jiangsu Company was a wholly-owned subsidiary of our Company.

The principal business of Jiangsu Company is the R&D, production and sales of EV battery and ESS products.

Wuhan Company

Wuhan Company was established in Wuhan City, Hubei Province, the PRC as a limited liability company on July 15, 2021 with a registered capital of RMB2.5 billion. Upon its establishment and up to the Latest Practicable Date, Wuhan Company was held as to 51% and 49% by our Company and Wuhan Jingkai Investment, respectively.

Pursuant to an agreement dated May 25, 2021 entered into between our Company and Wuhan Economic and Technological Development Zone Management Committee* (武漢經濟技術開發區管理委員會), our Company agreed to acquire the entire interest held by Wuhan Jingkai Investment in Wuhan Company within five years from the date of establishment of

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Wuhan Company (the “**Wuhan Company Put Option**”). Such Wuhan Company Put Option will be terminated automatically and of no effect on the date when our Company submits our listing application for the listing of our Shares on any domestic or foreign stock exchange. If subsequently our Company withdraws our listing application or our listing application is not approved, such Wuhan Company Put Option will be automatically restored.

Wuhan Company is principally engaged in the R&D, production and sales of EV battery and ESS products.

Hefei Company

Hefei Company was established in Hefei City, Anhui Province, the PRC as a limited liability company on September 25, 2021 with a registered capital of RMB2.5 billion. Upon its establishment and up to the Latest Practicable Date, Hefei Company was held as to 20% and 80% by our Company and Hefei Beicheng Investment, respectively. Pursuant to the voting rights entrustment agreement and concerted action agreement entered into between our Company and the Hefei Beicheng Investment on September 25, 2021, Hefei Beicheng Investment agreed to entrust the voting rights of 31% of Hefei Company to our Company, for a period of seven years from the date of the aforementioned agreements. In addition, according to the articles of association of Hefei Company, the board of directors of Hefei Company shall comprise three directors, of which our Company has the right to nominate two directors and the Hefei Beicheng Investment has the right to nominate one director. In view of the above arrangement, our Company has more than 50% of the voting rights in Hefei Company and controls the board of directors of Hefei Company. Therefore, Hefei Company is regarded as a subsidiary of our Company and its finances are consolidated into the accounts of our Company.

Pursuant to an agreement dated September 25, 2021 entered into between our Company and the Government of Changfeng County (長豐縣人民政府), our Company agreed to acquire the entire interest held by Hefei Beicheng Investment in Hefei Company within seven years from the date of establishment of Hefei Company (the “**Hefei Company Put Option**”). The exercise price of Hefei Company Put Option shall be determined based on the appraised value as valued by the valuation institution recognized by both parties and filed with the state-owned assets supervision and administration department or the investment amount paid by Hefei Beicheng Investment for its entire interest in Hefei Company plus an annual rate of return of 6%. Such Hefei Company Put Option will be terminated automatically and of no effect on the date when our Company submits our listing application for the listing of our Shares on any domestic or foreign stock exchange. If subsequently our Company withdraws our listing application or our listing application is not approved, such Hefei Company Put Option will be automatically restored.

Hefei Company is principally engaged in the R&D, production and sales of EV battery and ESS products.

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Materials Company

Materials Company was established in Meishan City, Sichuan Province, the PRC as a limited liability company on January 26, 2022 with registered capital of RMB50 million. Upon its establishment and up to the Latest Practicable Date, Materials Company was a wholly-owned subsidiary of our Company.

The principal business of Materials Company is the R&D, production and sales of EV battery materials.

Germany Company

Germany Company was established as a limited liability company in Germany on April 30, 2021 with a total investment of EUR25,000. From its establishment and up to the Latest Practicable Date, Germany Company is a wholly-owned subsidiary of our Company.

Germany Company has not commenced business operation as of the Latest Practicable Date. The principal business of Germany Company is the R&D and sales of EV battery and ESS products.

Fujian Company

Fujian Company was established in Xiamen City, Fujian Province, the PRC as a limited liability company on February 22, 2022 with a registered capital of RMB2.5 billion. Upon its establishment and up to the Latest Practicable Date, Fujian Company was held as to 51% and 49% by our Company and Jinyuan Industry, respectively.

Pursuant to an agreement dated February 11, 2022 entered into between our Company, Jinyuan Investment and Xiamen Torch High Technology Industrial Development Zone Management Committee* (廈門火炬高技術產業開發區管理委員會) and the investment agreement dated February 22, 2022 entered into between our Company and Jinyuan Industry, our Company agreed to acquire the entire interest held by Jinyuan Industry in Fujian Company within five years from the date of establishment of Fujian Company (the “**Fujian Company Put Option**”) in accordance with the state-owned assets valuation procedures. Such Fujian Company Put Option will be terminated automatically and of no effect on the date when our Company submits our listing application for the listing of our Shares on any domestic or foreign stock exchange. If subsequently our Company withdraws our listing application or our listing application is not approved, such Fujian Company Put Option will be automatically restored.

Fujian Company is principally engaged in the R&D, production and sales of EV battery and ESS products.

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Jiangmen Company

Jiangmen Company was established in Jiangmen City, Guangdong Province, the PRC as a limited liability company on February 23, 2022 with a registered capital of RMB4 billion. Upon its establishment and up to the Latest Practicable Date, Jiangmen Company was held as to 51% and 49% by our Company and Jiangmen New Energy, respectively.

Pursuant to an agreement dated January 26, 2022 entered into between our Company and People’s Government of Jiangmen City and the investment agreement dated February 23, 2022 entered into between our Company and Jiangmen New Energy, our Company agreed to acquire the partial or entire interest held by Jiangmen New Energy in Jiangmen Company within eight years from the date of establishment of Jiangmen Company (the “**Jiangmen Company Put Option**”). Such Jiangmen Company Put Option will be terminated automatically and of no effect on the date when our Company submits our listing application for the listing of our Shares on any domestic or foreign stock exchange. If subsequently our Company withdraws our listing application or our listing application is not approved, such Jiangmen Company Put Option will be automatically restored.

Jiangmen Company is principally engaged in the R&D, production and sales of EV battery and ESS products.

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[REDACTED] INVESTMENTS

1. Overview

[REDACTED] Investors	Date of capital increase agreement	Subscription amount of registered capital/ Number of Shares subscribed	Consideration paid	Date of completion of payment of consideration	Number of Shares as of the Latest Practicable Date	Interest held in our Company immediately before completion of the [REDACTED]	Interest held in our Company upon completion of the [REDACTED]	Discount to the [REDACTED] (midpoint) ⁽¹⁾
1. Jinyuan Industry	July 29, 2019	RMB399.88 million	RMB400 million	July 30, 2019	37,580,435	2.49%	[REDACTED]	[REDACTED]
2. Lihang Jinzhi	July 29, 2019	RMB1,509.55 million	RMB1,510 million	December 30, 2019	138,046,261	9.42%	[REDACTED]	[REDACTED]
3. Jinyuan Investment	January 20, 2020	RMB599.82 million	RMB600 million	January 21, 2020	37,580,435	2.49%	[REDACTED]	[REDACTED]
4. Guangqi Ruidian	November 16, 2020	RMB680.07 million	RMB700 million	January 25, 2021	63,912,844	4.24%	[REDACTED]	[REDACTED]
5. China Insurance Investment Advanced Manufacturing	November 10, 2020	RMB553.77 million	RMB570 million	January 25, 2021	52,043,316	3.45%	[REDACTED]	[REDACTED]
6. Hongshan Kaichen	November 19, 2020	RMB388.61 million	RMB400 million	January 25, 2021	36,521,625	2.42%	[REDACTED]	[REDACTED]
7. Guolian Tongjin	December 9, 2020	RMB375.01 million	RMB386 million	January 25, 2021	35,243,368	2.34%	[REDACTED]	[REDACTED]
8. Chenyi Pengqi	November 10, 2020	RMB334.21 million	RMB344 million	January 25, 2021	31,408,598	2.08%	[REDACTED]	[REDACTED]
9. China Insurance Investment No. 1 New Energy	November 10, 2020	RMB301.18 million	RMB310 million	January 25, 2021	28,304,260	1.88%	[REDACTED]	[REDACTED]

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	Investors	Date of capital increase agreement	Subscription amount of registered capital/ Number of Shares subscribed	Consideration paid	Date of completion of payment of consideration	Number of Shares as of the Latest Practicable Date	Cost per share	Interest held in our Company immediately before completion of the	Interest held in our Company upon completion of the	Discount to the
	[REDACTED]							[REDACTED]	[REDACTED]	[REDACTED] ⁽¹⁾
10.	Xiaomi Yangtze River Industry	November 10, 2020	RMB291.46 million	RMB300 million	January 25, 2021	27,391,219	RMB1.03	[REDACTED]	[REDACTED]	[REDACTED]
11.	Link Cornerstone	July 27, 2021	RMB12,000,000	RMB500 million	August 6, 2021	12,000,000	RMB41.67	2.61%	[REDACTED]	[REDACTED]
		November 10, 2020	RMB174.88 million	RMB180 million	January 25, 2021	16,434,731	RMB10.95	1.09%	[REDACTED]	[REDACTED]
12.	Ma'anshan Comerstone	November 10, 2020	RMB141.84 million	RMB146 million	January 25, 2021	13,330,393	RMB10.95	0.88%	[REDACTED]	[REDACTED]
13.	Jinli Investment	November 23, 2020	RMB136.01 million	RMB140 million	January 25, 2021	12,782,569	RMB10.95	0.85%	[REDACTED]	[REDACTED]
14.	Guolian Tongwu	December 14, 2020	RMB113.67 million	RMB117 million	January 25, 2021	10,682,575	RMB10.95	0.71%	[REDACTED]	[REDACTED]
15.	Guolian Tongkun	December 9, 2020	RMB109.78 million	RMB113 million	January 25, 2021	10,317,359	RMB10.95	0.68%	[REDACTED]	[REDACTED]
16.	China Insurance Investment No. 2 New Energy	November 10, 2020	RMB97.15 million	RMB100 million	January 25, 2021	9,130,406	RMB10.95	0.61%	[REDACTED]	[REDACTED]
17.	China Insurance Investment Strategic Emerging	November 10, 2020	RMB97.15 million	RMB100 million	January 25, 2021	9,130,406	RMB10.95	0.61%	[REDACTED]	[REDACTED]
18.	Ma'anshan Shengtuo	November 10, 2020	RMB38.86 million	RMB40 million	January 25, 2021	3,652,163	RMB10.95	0.24%	[REDACTED]	[REDACTED]
19.	Getian Star	November 10, 2020	RMB33.03 million	RMB34 million	January 25, 2021	3,104,338	RMB10.95	0.21%	[REDACTED]	[REDACTED]

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	Investors	Date of capital increase agreement	Subscription amount of registered capital/ Number of Shares subscribed	Consideration paid	Date of completion of payment of consideration	Number of Shares as of the Latest Practicable Date	Cost per share	Interest held in our Company immediately before completion of the	Interest held in our Company upon completion of the	Discount to the (midpoint) ⁽¹⁾
20.	Huaxian Automobile	November 10, 2020	RMB19.43 million	RMB20 million	January 25, 2021	1,826,081	RMB10.95	[REDACTED]	[REDACTED]	[REDACTED]
21.	Xiamen Jimli No. 2	August 19, 2021	24,000,000	RMB1,000 million	August 24, 2021	24,000,000	RMB41.67	1.59%	[REDACTED]	[REDACTED]
22.	Chuangyi Shengtun	August 9, 2021	24,000,000	RMB1,000 million	August 20, 2021	24,000,000	RMB41.67	1.59%	[REDACTED]	[REDACTED]
23.	Manufacturing Transform and Upgrade Fund	August 3, 2021	23,976,000	RMB999 million	August 13, 2021	23,976,000	RMB41.67	1.59%	[REDACTED]	[REDACTED]
24.	Hainan Huaping	July 26, 2021	15,840,000	RMB660 million	August 16, 2021	15,840,000	RMB41.67	1.05%	[REDACTED]	[REDACTED]
25.	Chengdu Heavy Industry Longjin	August 19, 2021	12,000,000	RMB500 million	August 26, 2021	12,000,000	RMB41.67	0.8%	[REDACTED]	[REDACTED]
26.	Guoshou Private Equity	July 29, 2021	12,000,000	RMB500 million	August 9, 2021	12,000,000	RMB41.67	0.8%	[REDACTED]	[REDACTED]
27.	Hainan Qingshan	July 25, 2021	12,000,000	RMB500 million	October 26, 2021	12,000,000	RMB41.67	0.8%	[REDACTED]	[REDACTED]
28.	Jiaxing Xingneng	August 6, 2021	12,000,000	RMB500 million	August 19, 2021	12,000,000	RMB41.67	0.8%	[REDACTED]	[REDACTED]
29.	Nanjing Xing Na Zhou	July 29, 2021	12,000,000	RMB500 million	August 10, 2021	12,000,000	RMB41.67	0.8%	[REDACTED]	[REDACTED]
30.	Three Gorges Capital	July 30, 2021	12,000,000	RMB500 million	August 6, 2021	12,000,000	RMB41.67	0.8%	[REDACTED]	[REDACTED]
31.	Wuhan Jingkai Investment	July 28, 2021	12,000,000	RMB500 million	August 24, 2021	12,000,000	RMB41.67	0.8%	[REDACTED]	[REDACTED]
32.	Hanshi Precision	August 4, 2021	10,800,000	RMB450 million	August 6, 2021	10,800,000	RMB41.67	0.72%	[REDACTED]	[REDACTED]
33.	Dongtou Liying	August 17, 2021	9,600,000	RMB400 million	August 18, 2021	9,600,000	RMB41.67	0.64%	[REDACTED]	[REDACTED]

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	Investors	Date of capital increase agreement	Subscription amount of registered capital/ Number of Shares subscribed	Consideration paid	Date of completion of payment of consideration	Number of Shares as of the Latest Practicable Date	Cost per share	Interest held in our Company immediately before completion of the	Interest held in our Company upon completion of the	Discount to the
	[REDACTED]	increase agreement	Number of Shares subscribed	Consideration paid	Date of completion of payment of consideration	Practicable Date	per share	of the	of the	[REDACTED] (midpoint) ⁽¹⁾
34.	Huzhou Haifa	July 26, 2021	9,600,000	RMB400 million	August 6, 2021	9,600,000	RMB41.67	0.64%	[REDACTED]	[REDACTED]
35.	Chuanghe Xincui	October 15, 2021	RMB199,94 million	RMB213.35 million	October 15, 2021	18,790,217	RMB1.07		[REDACTED]	[REDACTED]
36.	Yiwu Lexin	July 26, 2021	7,200,000	RMB300 million	August 9, 2021	7,200,000	RMB41.67	1.73%	[REDACTED]	[REDACTED]
37.	Aviation Industry Integration Fund	July 26, 2021	7,200,000	RMB300 million	August 5, 2021	7,200,000	RMB41.67	0.48%	[REDACTED]	[REDACTED]
		August 5, 2021	12,000,000	RMB500 million	August 6, 2021	12,000,000	RMB41.67	0.80%	[REDACTED]	[REDACTED]
38.	Dahou Cornerstone	August 20, 2021	6,021,000	RMB250.9 million	August 25, 2021	6,021,600	RMB41.67	0.40%	[REDACTED]	[REDACTED]
39.	Hunan Hualing	August 23, 2021	4,800,000	RMB200 million	August 25, 2021	4,800,000	RMB41.67	0.32%	[REDACTED]	[REDACTED]
40.	Wuhan Industrial Investment Zhongjing	August 13, 2021	4,320,000	RMB180 million	August 19, 2021	4,320,000	RMB41.67	0.29%	[REDACTED]	[REDACTED]

Notes:

(1) The [REDACTED] is calculated based on the exchange rate of RMB1.00 to HK\$1.23, the median rate set by PBOC for foreign exchange transactions prevailing on the Latest Practicable Date, and assuming the [REDACTED] is fixed at HK\$[REDACTED], being the mid-point of the indicative [REDACTED] range.

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2. The principal terms of the [REDACTED] Investments and the rights of the [REDACTED] Investors

Use of proceeds from the [REDACTED] Investments

All proceeds from the [REDACTED] Investments are used for business expansion and operation, including expenses for new construction and expansion of production bases, R&D of advanced technology and daily operation

As of the Latest Practicable Date, approximately 78% of the proceeds from the [REDACTED] Investments had been utilized.

Strategic benefits of the [REDACTED] Investments to our Company

At the time of the [REDACTED] Investments, the Directors believe that our Company will benefit from the additional capital provided by the [REDACTED] Investors’ investment and their knowledge and experience.

Basis for determination of consideration paid

Please see “Major changes in shareholding and corporate form” in this section.

Lock-up period

Pursuant to the capital increase agreements entered into between the [REDACTED] Investors and our Company, the [REDACTED] Investors are not allowed to sell any of their Shares within a period of 36 months from the date on which the registration with the local industry and commerce department in respect of the [REDACTED] Investments has been completed, unless the lock-up period of the [REDACTED] Investors, as required by the relevant laws, regulations or securities authority, is terminated after our [REDACTED]. In accordance with the applicable PRC laws, the [REDACTED] Investors are not allowed to sell any of their Shares within 12 months after the [REDACTED].

3. Special Rights granted to the [REDACTED] Investors

None of the [REDACTED] Investors was granted any special rights in relation to our Company.

4. Compliance with Interim Guidance and Guidance Letters

The Sole Sponsor confirmed that the [REDACTED] Investments are in compliance with (i) Guidance Letter HKEX-GL29-12 issued by the Stock Exchange in January 2012 and updated in March 2017; (ii) Guidance Letter HKEX-GL43-12, issued by the Stock Exchange in October 2012 and updated in July 2013 and March 2017; and (iii) HKEX-GL44-12, issued by the Stock Exchange in October 2012 and updated in March 2017.

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5. Information on our [REDACTED] Investors

The following set outs the background of our [REDACTED] Investors:

1. Guangqi Ruidian is a limited partnership established under the laws of the PRC and is principally engaged in equity investment and M&A activities. Guangzhou Yingpeng Investment Management Company Limited* (廣州盈蓬投資管理有限公司) (“**Guangzhou Yingpeng Investment**”) is a limited liability company established under the laws of the PRC and is the general partner of Guangqi Ruidian. Guangzhou Yingpeng Investment is an indirect wholly-owned subsidiary of Guangzhou Automobile Group Co., Ltd.* (廣州汽車集團股份有限公司), a company whose share are listed on the Shanghai Stock Exchange (Stock Code: 601238) and ultimately controlled by State-owned Assets Supervision and Administration Commission of Guangzhou Municipal People’s Government* (廣州市人民政府國有資產監督管理委員會). As of the Latest Practicable Date, Guangqi Ruidian directly held approximately 4.24% of our total issued Shares. To the best knowledge of our Directors, Guangqi Ruidian is an Independent Third Party.
2. Each of China Insurance Investment Advanced Manufacturing, China Insurance Investment No. 1 New Energy, China Insurance Investment No. 2 New Energy and China Insurance Investment Strategic Engineering is a limited partnership established under the laws of the PRC. China Insurance Investment Co., Ltd.* (中保投資有限責任公司) (“**China Insurance Investment**”) is a limited liability company established under the laws of the PRC and is the general partner of each of China Insurance Investment Advanced Manufacturing, China Insurance Investment No. 1 New Energy, China Insurance Investment No. 2 New Energy and China Insurance Investment Strategic Engineering. China Insurance Investment is an investment platform established pursuant to the Official Reply of the State Council regarding the Proposal on the Establishment of the China Insurance Investment Fund* (國務院關於中國保險投資基金設立方案的批覆). As of the Latest Practicable Date, each of China Insurance Investment Advanced Manufacturing, China Insurance Investment No. 1 New Energy, China Insurance Investment No. 2 New Energy and China Insurance Investment Strategic Engineering directly held approximately 3.45%, 1.88%, 0.61% and 0.61% of our total issued Shares, respectively. To the best knowledge of our Directors, each of China Insurance Investment Advanced Manufacturing, China Insurance Investment No. 1 New Energy, China Insurance Investment No. 2 New Energy and China Insurance Investment Strategic Engineering is an Independent Third Party.
3. Xiaomi Yangtze River Industry is a limited partnership established under the laws of the PRC. Hubei Xiaomi Changjiang Industrial Investment Fund Management Co., Ltd.* (湖北小米長江產業投資基金管理有限公司) (“**Hubei Xiaomi**”) is a limited liability company established under the laws of the PRC and is the sole general partner of Xiaomi Yangtze River Industry. The ultimate controller of Hubei Xiaomi is Lei Jun (雷軍) who is an Independent Third Party. As of the Latest Practicable Date, Xiaomi Yangtze River Industry directly held approximately 2.61% of our issued Shares. To the best knowledge of our Directors, Xiaomi Yangtze River Industry is an Independent Third Party.

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4. Jinyuan Investment is a limited liability company established under the laws of the PRC, which is wholly owned by the Finance Bureau of Xiamen City* (廈門市財政局). As of the Latest Practicable Date, Jinyuan Investment directly held approximately 2.49% of our issued Shares. Since Jinyuan Industry is a wholly-owned subsidiary of Jinyuan Investment, Jinyuan Investment is deemed to have an interest in all shares held by Lihang Jinzhi and Jinyuan Industry. Xiamen Jinli No. 2 and Jinli Investment, which are the limited partnerships ultimately controlled by Jinyuan Investment, directly held approximately 1.59% and 0.85% of our issued Shares respectively, thus Jinyuan Investment is also deemed to have an interest in the shares held by Xiamen Jinli No. 2 and Jinli Investment. As a result, Jinyuan Investment controls approximately 16.85% of our issued Shares, directly or indirectly. For further details, please see “Substantial Shareholders” of this document.
5. Jinyuan Industry is a limited liability company established under the laws of the PRC, which is wholly and directly owned by Jinyuan Investment, and its ultimate controller is the Finance Bureau of Xiamen City* (廈門市財政局). As of the Latest Practicable Date, Jinyuan Investment directly held approximately 2.49% of our issued Shares. As Jinyuan Industry controls Lihang Jinzhi, it is interested in approximately 11.91% of our issued Shares, directly or indirectly. For further details, please see “Substantial Shareholders” of this document.
6. Lihang Jinzhi is a limited partnership jointly established by Jinyuan Industry and Xiamen Lihang Equity Investment, which subscribed for approximately 99.34% and 0.66% of Lihang Jinzhi’s capital, respectively. Lihang Jinzhi is controlled by Jinyuan Industry according to its partnership agreement. As of the Latest Practicable Date, Lihang Jinzhi directly held approximately 9.42% of our issued Shares.
7. Hongshan Kaichen is a limited partnership established under the laws of the PRC. Shenzhen Sequoia An Tai Equity Investment Partnership (Limited Partnership)* (深圳紅杉安泰股權投資合夥企業(有限合夥)) (“**Shenzhen Sequoia An Tai**”) is the general partner of Hongshan Kaichen. The general partner of Shenzhen Sequoia An Tai is Shenzhen Sequoia Huan Yu Investment Management Co., Ltd.* (深圳市紅杉樞宇投資諮詢有限公司). As of the Latest Practicable Date, Hongshan Kaichen directly held approximately 2.42% of our issued Shares. To the best knowledge of our Directors, Hongshan Kaichen is an Independent Third Party.
8. Each of Guolian Tongjin, Guolian Tongwu and Guolian Tongkun is a limited partnership established under the laws of the PRC. Guolian Capital Co., Ltd.* (國聯通寶資本投資有限責任公司) (“**Guolian Capital**”) is a limited liability company established under the laws of the PRC and is a general partner of each of Guolian Tongjin, Guolian Tongwu and Guolian Tongkun. Guolian Capital is wholly-owned by Guolian Securities Co., Ltd., which is dual listed on the Shanghai Stock Exchange (stock code: 601456) and on the Stock Exchange (stock code: 01456) . As of the Latest Practicable Date, each of Goulian Tongjin, Guolian Tongwu and Guolian Tongkun directly held approximately 2.34%, 0.71% and 0.68% of our issued Shares. To the best knowledge of our Directors, each of Guolian Tongjin, Guolian Tongwu and Guolian Tongkun is an Independent Third Party.

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9. Chenyi Pengqi is a limited partnership established under the laws of the PRC. Chenyi Hongqi (Beijing) Consulting Co., Ltd.* (晨壹紅啟(北京)諮詢有限公司) (“**Chenyi Hongqi (Beijing)**”) is a limited liability company established under the laws of the PRC and is the general partner of Chenyi Pengqi. Chenyi Hongqi (Beijing) is actually controlled by Liu Xiaodan (劉曉丹), who is an Independent Third Party. As of the Latest Practicable Date, Chenyi Pengqi directly held approximately 2.08% of our issued Shares. To the best knowledge of our Directors, Chenyi Pengqi is an Independent Third Party.
10. Chuanghe Xincai is a limited partnership established under the laws of the PRC. Xiamen Chuanghe Luxiang Investment Management Co., Ltd.* (廈門創和鷺翔投資管理有限責任公司) (“**Xiamen Chuanghe**”) is a limited liability company established under the laws of the PRC and is the general partner of Chuanghe Xincai. The largest single shareholder of Xiamen Chuanghe is SDIC Chuanghe Fund Management Co., Ltd.* (國投創合基金管理有限公司), which is an Independent Third Party. As of the Latest Practicable Date, Chuanghe Xincai directly held approximately 1.73% of our issued Shares. To the best knowledge of our Directors, Chuanghe Xincai is an Independent Third Party.
11. Chuangyi Shengtun is a limited partnership established under the laws of the PRC. SDIC Chuangyi Industrial Fund Management Co., Ltd.* (國投創益產業基金管理有限公司) (“**SDIC Chuangyi**”) and Beijing Shengtun Tianyu Private Fund Management Co., Ltd.* (北京盛屯天宇私募基金管理有限公司) are limited liability companies established under the laws of the PRC and general partners of Chuangyi Shengtun, which is a wholly-owned subsidiary of National Development and Investment Group Co., Ltd.* (國家開發投資集團有限公司), a company wholly owned by the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會). As of the Latest Practicable Date, Chuangyi Shengtun directly held approximately 1.59% of our issued Shares. To the best knowledge of our Directors, Chuangyi Shengtun is an Independent Third Party.
12. Xiamen Jinli No. 2 is a limited partnership established under the laws of the PRC. Jinyuan Equity Investment is a limited liability company established under the laws of the PRC and is the general partner of Xiamen Jinli No. 2. Jinyuan Equity Investment is ultimately controlled by Jinyuan Investment. As of the Latest Practicable Date, Xiamen Jinli No.2 directly held approximately 1.59% of our issued Shares. Xiamen Jinli No. 2 is a connected person of our Company.
13. Manufacturing Transform and Upgrade Fund is a joint stock limited company established under the laws of the PRC, which is held by the Ministry of Finance of the PRC as to 15.29% of the equity interests and the remaining 84.71% of the equity interests by 19 Independent Third Parties. As of the Latest Practicable Date, the Manufacturing Transform and Upgrade Fund directly held approximately 1.59% of our issued Shares. To the best knowledge of our Directors, Manufacturing Transform and Upgrade Fund is an Independent Third Party.

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14. Link Cornerstone is a limited partnership established under the laws of the PRC. Shenzhen City Lingxin Cornerstone Equity Investment Fund Partnership (Limited Partnership)* (深圳市領信基石股權投資基金合夥企業(有限合夥)) (“**Lingxin Cornerstone**”) is a limited partnership established under the laws of the PRC and is the general partner of Link Cornerstone. The general partner of Lingxin Cornerstone is Urumqi Kunlun Cornerstone Venture Capital Co., Ltd.* (烏魯木齊昆侖基石創業投資有限公司), which is ultimately controlled by Zhang Wei (張維), an Independent Third Party. As of the Latest Practicable Date, Link Cornerstone directly held approximately 1.09% of our issued Shares. To the best knowledge of our Directors, Link Cornerstone is an Independent Third Party.
15. Ma’anshan Cornerstone is a limited partnership established under the laws of the PRC. Ma’anshan Happiness Cornerstone Investment Management Co., Ltd.* (馬鞍山幸福基石投資管理有限公司) is a limited liability company established under the laws of the PRC and is the general partner of Ma’anshan Cornerstone, which is ultimately controlled by Zhang Wei (張維), an Independent Third Party. As of the Latest Practicable Date, Ma’anshan Cornerstone directly held approximately 0.88% of our issued Shares. To the best knowledge of our Directors, Ma’anshan Cornerstone is an Independent Third Party.
16. Ma’anshan Shengtuo is a limited partnership established under the laws of the PRC. Urumqi Phoenix Cornerstone Equity Investment Management Partnership (Limited Partnership)* (烏魯木齊鳳凰基石股權投資管理有限合夥企業) is a limited partnership established under the laws of the PRC and is the general partner of Ma’anshan Shengtuo, whose general partner is Urumqi Kunlun Cornerstone Venture Capital Investment Co., Ltd.* (烏魯木齊昆侖基石創業投資有限公司) (“**Urumqi Kunlun**”). Urumqi Kunlun is a limited liability company established under the laws of the PRC and is ultimately controlled by Zhang Wei (張維), an Independent Third Party. As of the Latest Practicable Date, Ma’anshan Shengtuo directly held approximately 0.24% of our issued Shares. To the best knowledge of our Directors, Ma’anshan Shengtuo is an Independent Third Party.
17. Dahou Cornerstone is a limited partnership established under the laws of the PRC. Tibet Tianji Cornerstone Venture Capital Co., Ltd.* (西藏天璣基石創業投資有限公司) is a limited liability company established under the laws of the PRC and the general partner of Dahou Cornerstone, which is ultimately controlled by Zhang Wei (張維), an Independent Third Party. As of the Latest Practicable Date, Dahou Cornerstone directly held approximately 0.40% of our issued Shares. To the best knowledge of our Directors, Dahou Cornerstone is an Independent Third Party.
18. Hainan Huaping is a limited partnership established under the laws of the PRC. Hainan Huaping Enterprise Management Consulting Center (Limited Partnership)* (海南華平企業管理諮詢中心) is a limited partnership established under the laws of the PRC and is the general partner of Hainan Huaping, whose ultimate beneficial owner is Gu Ren (顧韜), who is an Independent Third Party. As of the Latest Practicable Date, Hainan Huaping directly held approximately 1.05% of our issued Shares. To the best knowledge of our Directors, Hainan Huaping is an Independent Third Party.

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19. Jinli Investment is a limited partnership established under the laws of the PRC. Jinyuan Capital Management (Xiamen) Co., Ltd.* (金圓資本管理(廈門)有限公司) is a limited liability company established under the laws of the PRC and is the general partner of Jinli Investment, which is ultimately controlled by the Finance Bureau of Xiamen City* (廈門市財政局). As of the Latest Practicable Date, Jinli Investment directly held approximately 0.85% of our issued Shares. Jinli Investment is a connected person of our Company.
20. Getian Star is a limited partnership established under the laws of the PRC. Xu Xiuyun (徐秀雲) is the general partner of Getian Star and an Independent Third Party. As of the Latest Practicable Date, Getian Star directly held approximately 0.21% of our issued Shares. To the best knowledge of our Directors, Getian Star is an Independent Third Party.
21. Huaxian Automobile is a limited liability company established under the laws of the PRC, which is owned as to 70% by Zeng Yangyi (曾洋溢) and 30% by Zheng Yuanyi (鄭媛儀), both of whom are Independent Third Parties. As of the Latest Practicable Date, Huaxian Automobile directly held approximately 0.12% of our issued Shares. To the best knowledge of our Directors, Huaxian Automobile is an Independent Third Party.
22. Chengdu Heavy Industry Longjin is a limited liability company established under the laws of the PRC, which is owned as to 76% by Chengdu Major Industrial Project No. 1 Equity Investment Fund Ltd. Co.,* (成都市重大產業化項目一期股權投資基金有限公司) (“**Chengdu Major Industrial Project No. 1**”) and 24% by Chengdu Jingkai Industrial Equity Investment Fund (Limited Partnership)* (成都經開產業股權投資基金(有限合伙)). Chengdu Major Industrial Project No.1 is a limited liability company established under the laws of the PRC, which is ultimately controlled by the State-owned Assets Supervision and Administration Commission of Chengdu City* (成都市國有資產監督管理委員會). As of the Latest Practicable Date, Chengdu Heavy Industry Longjin directly held approximately 0.80% of our issued Shares and 49% of the equity interests in Chengdu Company. Chengdu Heavy Industry Longjin is a connected person of our Company.
23. Guoshou Private Equity is a limited partnership established under the laws of the PRC. Guoshou (Tianjin) Technology Venture Capital Investment Management Co., Ltd.* (國壽(天津)科技創新投資管理有限公司) is a limited liability company established under the laws of the PRC and the general partner of Guoshou Private Equity, which is ultimately indirectly wholly owned by the State Council of the PRC. As of the Latest Practicable Date, Guoshou Private Equity directly held approximately 0.80% of our issued Shares. To the best knowledge of our Directors, Guoshou Private Equity is an Independent Third Party.

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24. Hainan Qingshan is a limited partnership established under the laws of the PRC. Shaoxing Keqiao Longzheng Investment Management Ltd. Co.* (紹興柯橋隆正投資管理有限公司) is a limited liability company established under the laws of the PRC and is the general partner of Hainan Qingshan, which is owned as to 60% by Wang Huayi (王華溢) and 40% by Feng Shichao (馮世超), both of whom are Independent Third Parties. As of the Latest Practicable Date, Hainan Qingshan directly held approximately 0.80% of our issued Shares. To the best knowledge of our Directors, Hainan Qingshan is an Independent Third Party.
25. Jiaxing Xingneng is a limited partnership established under the laws of the PRC. Xingtou (Beijing) Capital Management Co., Ltd.* (興投(北京)資本管理有限公司) is a limited company established under the laws of the PRC and is the general partner of Jiaxing Xingneng, which is indirectly owned as to 73% by Industrial Bank Co., Ltd* (興業銀行股份有限公司), a company whose shares are listed on the Shanghai Stock Exchange (stock code: 601166). As of the Latest Practicable Date, Jiaxing Xingneng directly held approximately 0.80% of our issued Shares. To the best knowledge of our Directors, Jiaxing Xingneng is an Independent Third Party.
26. Nanjing Xing Na Zhou is a limited partnership established under the laws of the PRC. Hainan Xinglan Corporation Management Partnership (Limited Partnership)* (海南星蘭企業管理合夥企業(有限合夥)) is a limited partnership established under the laws of the PRC and the general partner of Nanjing Xing Na Zhou, whose general partner is Ningbo Xinglinxing Investment Management Ltd., Co.* (寧波星鄰星投資管理有限公司) (“**Ningbo Xinglinxing**”). Ningbo Xinglinxing is ultimately controlled by Wang Jianguo (汪建國), an Independent Third Party. As of the Latest Practicable Date, Nanjing Xing Na Zhou directly held approximately 0.80% of our issued Shares. To the best knowledge of our Directors, Nanjing Xing Na Zhou is an Independent Third Party.
27. Three Gorges Capital is a limited liability company established under the laws of the PRC, which is owned as to 40% by China Three Gorges Group Co., Ltd.* (中國長江三峽集團有限公司), 30% by Yangtze Three Gorges Investment Management Co., Ltd* (長江三峽投資管理有限公司), 10% by China Changjiang Electric Power Co., Ltd* (中國長江電力股份有限公司), 10% by Yunnan Energy Investment Group Co., Ltd* (雲南省能源投資集團有限公司) and 10% by Guoxin Guotong (Zhejiang) investment fund partnership (limited partnership)* (國新國同(浙江)投資基金合夥企業(有限合夥)), all of which are Independent Third Parties. As of the Latest Practicable Date, Three Gorges Capital directly held approximately 0.80% of our issued Shares. To the best knowledge of our Directors, Three Gorges Capital is an Independent Third Party.
28. Wuhan Jingkai Investment is a limited liability company established under the laws of the PRC, which is wholly owned by the State-owned Assets Supervision and Administration Commission of Wuhan Economic and Technological Development Zone* (武漢經濟技術開發區(漢南區)國有資產監督管理局). As of the Latest Practicable Date, Wuhan Jingkai Investment directly held approximately 0.80% of our issued Shares and 49% of the equity interests in Wuhan Company. Wuhan Jingkai Investment is a connected person of our Company.

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29. Hanshi Precision is a limited liability company established under the laws of the PRC, which is wholly owned by Shenzhen Han Nationality Venture Capital Co., Ltd* (深圳市大族創業投資有限公司) (“**Shenzhen Han**”). Shenzhen Han is a limited liability company established under the laws of the PRC and is wholly owned by Han’s Laser Technology Industrial Holding Co., Ltd.* (大族激光科技產業集團股份有限公司), a company whose shares are listed on the Shenzhen Stock Exchange (stock code: 002008), which is ultimately controlled by Gao Yunfeng (高雲峰), an Independent Third Party. As of the Latest Practicable Date, Hanshi Precision directly held approximately 0.72% of our issued Shares. To the best knowledge of our Directors, Hanshi Precision is an Independent Third Party.
30. Dongtou Liying is a limited partnership established under the laws of the PRC. Donghai Investment Co., Limited* (東海投資有限責任公司) is a limited liability company established under the laws of the PRC and the general partner of Dongtou Liying, which is ultimately controlled by the People’s Government of Changzhou City* (常州市人民政府). As of the Latest Practicable Date, Dongtou Liying directly held approximately 0.64% of our issued Shares. To the best knowledge of our Directors, Dongtou Liying is an Independent Third Party.
31. Huzhou Haifa is a limited partnership established under the laws of the PRC. Yuanhai Xinda Investment Management (Tianjing) Co., Ltd.* (遠海信達投資管理(天津)有限公司) is a limited liability company established under the laws of the PRC and the general partner of Huzhou Haifa, which is ultimately controlled by the State-owned Assets Supervision and Administration Commission of the State Council* (國務院國有資產監督管理委員會). As of the Latest Practicable Date, Huzhou Haifa directly held approximately 0.64% of our issued Shares. To the best knowledge of our Directors, Huzhou Haifa is an Independent Third Party.
32. Yiwu Lexin is a limited partnership established under the laws of the PRC. Shanghai Zhengxin Valley Investment Management Co., Ltd.* (上海正心谷投資管理有限公司) is a limited liability company established under the laws of the PRC and the general partner of Yiwu Lexin, which is wholly owned by Lin Lijun (林利軍), an Independent Third Party. As of the Latest Practicable Date, Yiwu Lexin directly held approximately 0.48% of our issued Shares. To the best knowledge of our Directors, Yiwu Lexin is an Independent Third Party.
33. Hunan Hualing is a limited partnership established under the laws of the PRC. Hunan Dice Runlong Private Fund Management Co., Ltd.* (湖南迪策潤通私募基金管理有限公司) is a limited liability company established under the laws of the PRC and the general partner of Hunan Hualing, which is ultimately controlled by the State-owned Assets Supervision and Administration Commission of People’s Government of Hunan Province* (湖南省國有資產監督管理委員會). As of the Latest Practicable Date, Hunan Hualing directly held approximately 0.32% of our issued Shares. To the best knowledge of our Directors, Hunan Hualing is an Independent Third Party.

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34. Wuhan Industrial Investment Zhongjing is a limited partnership established under the laws of the PRC. Wuhan Zhongjing Rongxin Equity Investment Fund Management Co., Ltd.* (武漢中經融信股權投資基金管理有限公司) is a limited liability company established under the laws of the PRC and the general partner of Wuhan Industrial Investment Zhongjing, whose ultimately beneficial owners are Yang Chenming (楊陳明) and Guo Jinying (龔金英), both of whom are Independent Third Parties. As of the Latest Practicable Date, Wuhan Industrial Investment Zhongjing directly held approximately 0.29% of our issued Shares. To the best knowledge of our Directors, Wuhan Industrial Investment Zhongjing is an Independent Third Party.

35. Aviation Industry Integration Fund is a limited partnership established under the laws of the PRC. Qingdao Honghua Private Equity Management Co., Ltd.* (青島弘華私募基金管理有限公司) is a limited liability company established under the laws of the PRC and the general partner of Aviation Industry Integration Fund, which is ultimately controlled by AVIC. As of the Latest Practicable Date, Aviation Industry Integration Fund directly held approximately 0.80% of our issued Shares. To the best knowledge of our Directors, Aviation Industry Integration Fund is an Independent Third Party.

ACQUISITION AND DISPOSAL OF LUOYANG COMPANY

On the date of establishment of our Company, Luoyang Company was an initial controlling Shareholder, which held 30% equity interests of our Company. On April 22, 2019, Luoyang Company and Chengfei Integration entered into an equity transfer agreement, pursuant to which Luoyang Company agreed to transfer its 30% equity interest in our Company to Chengfei Integration. Upon completion of the aforesaid equity transfer, Luoyang Company ceased to be a Shareholder of our Company.

Acquisition of 73.36% equity interests in Luoyang Company by our Company from Chengfei Integration and Jinsha Investment

On April 22, 2019, Chengfei Integration agreed to transfer its 45% equity interests in Luoyang Company to our Company at a consideration of RMB1,094.28 million which was determined with reference to the value of the entire shareholders' equity interests of Luoyang Company as of June 30, 2018 as valued by an independent valuer. Please see “Equity transfer and capital increases in July 2019” in this section in respect of the settlement of the consideration. On the same day, Chengfei Integration and Jinsha Investment agreed to subscribe for certain amount of the increased registered capital of our Company by transferring 18.98% and 9.38% of their respective equity interests in Luoyang Company as consideration to our Company. The consideration in respect of the capital increases were determined after arm's length negotiation among the parties with reference to the net asset value of our Company and Luoyang Company, respectively, as of 30 June, 2018. For further details, please see “Equity transfer and capital increases in July 2019” in this section. Upon completion of the aforesaid equity transfer and capital increases, Luoyang Company ceased to be a Shareholder of our Company and became a non-wholly subsidiary of our Company, which was owned as to 73.36% by us, 13.62% by Missile Academy, 4.84% by Aviation Investment, 2.99% by Zhongguancun Guosheng, 2.27% by Aviation Investment, 1.92% by Hongdu Airline and 1.01% by Luoyang Xinghang, respectively.

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The acquisition of Luoyang Company during the Track Record Period constituted a material acquisition of subsidiary as one of the applicable percentage ratios under Rule 14.07 of the Listing Rules was more than 25% but less than 100%. As a result, the aforementioned acquisition was classified as a major acquisition under Chapter 14 of the Listing Rules. Please see Part C of the Accountant’s Report in Appendix I to this document for the pre-acquisition financial information on Luoyang Company.

Acquisition of 1.01% equity interests in Luoyang Company by our Company from Luoyang Xinghang

On December 24, 2020, Luoyang Xinghang entered into an equity transfer agreement with our Company, pursuant to which, it agreed to transfer its 1.01% equity interests in Luoyang Company to our Company at a consideration of RMB22.518 million, which was determined with reference to the net asset value of Luoyang Company as of December 31, 2019 by an independent valuer. Upon completion of the aforesaid equity transfer, Luoyang Company was owned as to 74.37% by our Company and 25.63% in aggregate by Luoyang Company Minority Shareholders.

Disposal of 51% equity interests in Luoyang Company by our Company

Luoyang Company and its subsidiaries are principally engaged in the design, R&D, production and sales of EV battery for civil and military industrial use and ESS products. Having considered that (i) the exclusion of Luoyang Company will minimize the uncertainties and constraint involved in the preparation of [REDACTED] and any subsequent capital action of our Company after our [REDACTED] given the relatively complicated and uncertain review and approval procedures of the relevant authorities concerning the military industrial business; (ii) the exclusion of Luoyang Company would ensure effective and timely disclosure of our Group’s material information in compliance with the requirements of the Listing Rules to our Shareholders and potential investors of our Company after [REDACTED]; and (iii) if Luoyang Company remains as our subsidiary, there may be potential impact arising from the military industrial business engaged by Luoyang Company on our Group’s operation, we decided to exclude Luoyang Company from our Group. For further details of our business arrangement with Luoyang Company, please see “Relationship with Jintan Group” and “Connected transactions” of this document.

On October 18, 2021, our Company entered into an equity transfer agreement with Jincheng Technology pursuant to which our Company agreed to sell and Jincheng Technology agreed to purchase 51% of the equity interest in Luoyang Company at the consideration of RMB1,530 million (the “**51% Luoyang Company Disposal**”). The consideration was determined based on market value of Luoyang Company as of December 31, 2020 as valued by an independent valuer (the “**2020 Valuation**”). The transfer was completed on November 8, 2021. Upon the completion of the aforesaid transfer, Luoyang Company was held as to 51%, 23.37% and 25.63%, respectively, by Jincheng Technology, our Company and Luoyang Company Minority Shareholders, and therefore, Luoyang Company ceased to be a subsidiary of our Company and became an associate of the Company since November 2021. Having

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considered the Non-Competition Agreement entered into by Jintan Group which resulted in material change in the operation mode and profit forecast of Luoyang Company, on March 2, 2022, our Company and Jincheng Technology entered into a supplemental agreement in respect of the 51% Luoyang Company Disposal, pursuant to which, our Company agreed to compensate Jincheng Technology in the amount of RMB 397.80 million (being the difference between the 2020 Valuation and the valuation of Luoyang Company as of December 31, 2021 (the “**2021 Valuation**”) multiplied by 51%). Please also see “Relationship with Jintan Group – Non-Competition Agreement” for further details of the compensation arrangement between our Company and Jincheng Technology. For details of transactions between our Group and Luoyang Company after the disposal, please see “Connected transactions” of this document.

Acquisition of an aggregate of 25.63% equity interests in Luoyang Company by our Company

On October 15, 2021 and October 20, 2021, the Luoyang Company Minority Shareholders agreed to subscribe for certain amount of increased registered capital of our Company by transferring an aggregate of 25.63% equity interests in Luoyang Company. For further details on equity transfer by Luoyang Company Minority Shareholders, please see “Capital increase in November 2021” in this section. Upon completion of the aforementioned transfers, Luoyang Company was owned as to 49% by our Company and 51% by Jincheng Technology.

Disposal of remaining 49% equity interests in Luoyang Company by our Company

Having further considered the potential impact and further risk arising from the military industrial business engaged by Luoyang Company (being an associate of our Company after the 51% Luoyang Company Disposal) on our Group’s operation, in order to minimize the impact and potential risk which could be resulted from the military industrial business engaged by Luoyang Company and to implement our Group’s globalization strategy, on March 3, 2022, our Company entered into an equity transfer agreement with Jinhang Holding, pursuant to which, we agreed to transfer our remaining 49% equity interests in Luoyang Company to Jinhang Holding at a consideration of RMB1,087.80 million (the “**49% Luoyang Company Disposal**”), which was determined with reference to the 2021 Valuation as valued by an independent valuer and is expected to be fully settled by Jinhang Holding prior to our [REDACTED]. Upon completion of the 49% Luoyang Company Disposal, Luoyang Company is owned as to 51% by Jincheng Technology and 49% by Jinhang Holding and our Company ceased to have any interest in Luoyang Company.

Given that (i) Luoyang Company agrees to use its best endeavour to procure its existing customers of EV battery products for civil use and ESS products to enter into business contracts with our Group after the existing business contracts with Luoyang Company have been duly performed and as of the Latest Practicable Date, the aggregate unperformed amounts of Luoyang Company’s contracts for EV batteries for civil use and ESS products were RMB50.23 million and RMB52.52 million, respectively; (ii) the military industrial business retained by Luoyang Company is very limited in scale as compared to our Group’s operations; and (iii) by entering into the entrusted processing framework agreement with Luoyang Company, our Group is able to meet the current and increasing demand of our clients by

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engaging Luoyang Company to provide entrusted processing services to us with its current production capacity while we are continuing to scale up our operation, our Directors consider that the disposal of Luoyang Company will not have a material adverse effect on the business operations of our Group.

As advised by our PRC Legal Advisor, there had been no material non-compliance of Luoyang Company during the Track Record Period.

COMPLIANCE WITH LAWS AND REGULATIONS

As of the Latest Practicable Date, the establishment of our Company and transfers of equity interests and changes in registered capital (where applicable) has been properly and legally completed in compliance with the applicable laws and regulations.

As advised by our PRC Legal Advisor, our Company has obtained relevant approvals or confirmation and has registered or filed with the relevant competent authorities in accordance with the relevant laws and regulations in respect of its establishment and subsequent transfers of equity interests and changes in registered capital (where applicable) up to the Latest Practicable Date, and the establishment of our Company and subsequent transfers of equity interests and changes in registered capital (where applicable) up to the Latest Practicable Date are effective and legally binding.

PUBLIC FLOAT

The 1,506,456,558 Shares held by all existing Shareholders, representing approximately all of our total issued Shares as of the Latest Practicable Date, or approximately [REDACTED]% of our total issued Shares upon [REDACTED] (assuming the [REDACTED] is not exercised), or approximately [REDACTED] of our total issued Shares upon exercise of the [REDACTED] in full, will not be considered as part of the public float as the Shares they hold are Domestic Shares which will not be converted into H Shares and public float following the completion of the [REDACTED].

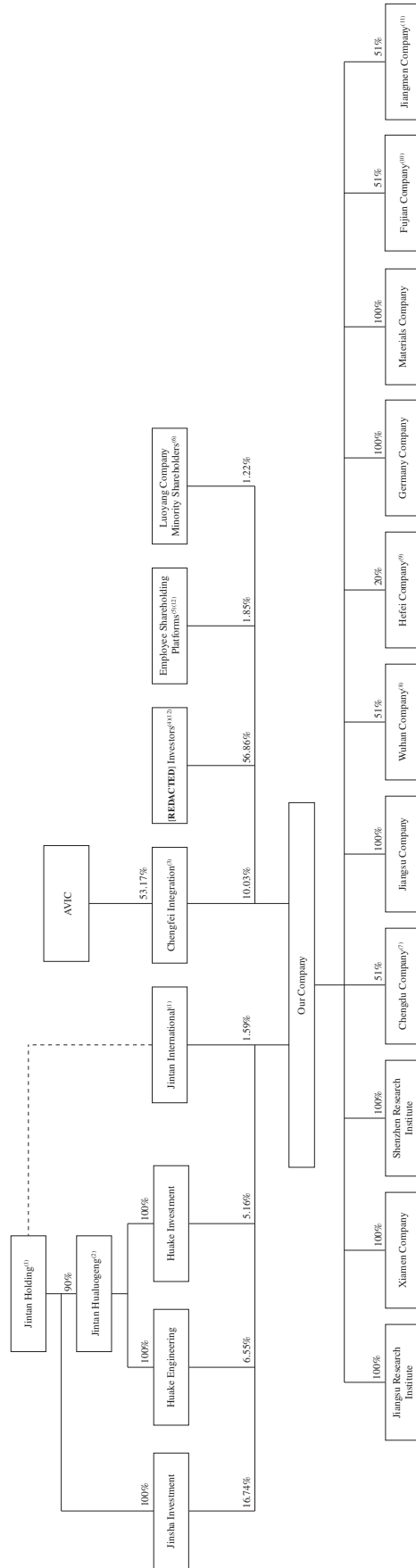
Pursuant to the applicable PRC law, within the 12 months following the [REDACTED], all current Shareholders are not allowed to dispose of any of the Shares held by them.

Based on the minimum [REDACTED] and assuming the [REDACTED] is not exercised, we expected that our market capitalization will be approximately HK\$[REDACTED] billion. We have applied to the Stock Exchange, and the Stock Exchange [has granted] us, a waiver from strict compliance with the requirements of Rule 8.08(1)(a) of the Listing Rules. Therefore, the minimum public float of our Company will be the higher of (1) [REDACTED]% of the total issued share capital of our Company; or (2) such percentage of Shares to be held by the public H Shareholders immediately after the completion of the [REDACTED] and the last exercise of the [REDACTED] (if any). Please see “Waivers From Strict Compliance With the Listing Rules” in this document for further details.

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OUR CORPORATE STRUCTURE AND SHAREHOLDING STRUCTURE

The following chart sets out our shareholding structure immediately before completion of the [REDACTED]:



Notes:

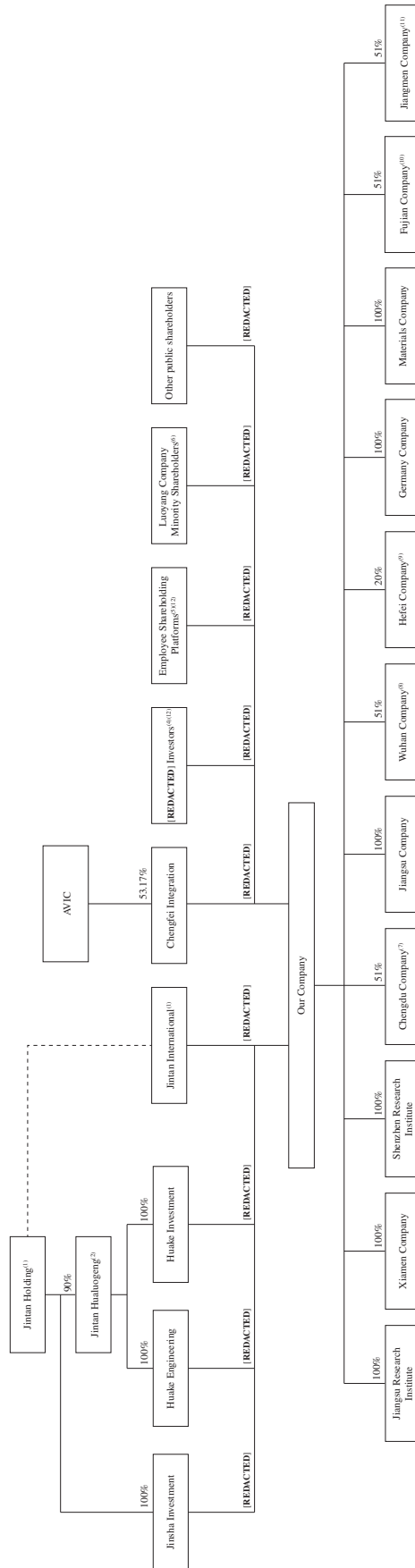
1. Jintan Holding is wholly owned by the Government of Jintan District. The investment by Jintan International in our Company was made in accordance with the instructions of Jintan Holding and Jintan International exercises its voting rights in our Company in accordance with the instructions of Jintan Holding.
2. The remaining 10% interest of Jintan Hualuogeng is held by Changzhou Investment Group Co., Ltd.* (常州投資集團有限公司), which is ultimately controlled by the Municipal Government of Changzhou.
3. Chengfei Integration is a company listed on the Shenzhen Stock Exchange (stock code: 002190) and its largest shareholder is AVIC as of the Latest Practicable Date.
4. Please see “[REDACTED] Investments” in this section for further details of the [REDACTED] Investors.

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5. Immediately before completion of the [REDACTED], the Employee Shareholding Platforms include Changzhou Lihang Kaibo No. 11, Xiamen Lihang Kaibo No. 1, Changzhou Lihang Kaibo No. 1, Changzhou Lihang Kaibo No. 2, Changzhou Lihang Kaibo No. 3, Changzhou Lihang Kaibo No. 4, Changzhou Lihang Kaibo No. 5, Changzhou Lihang Kaibo No. 6, Changzhou Lihang Kaibo No. 7, Changzhou Lihang Kaibo No. 8, Changzhou Lihang Kaibo No. 9 and Changzhou Lihang Kaibo No. 10, which hold approximately 0.57%, 0.38%, 0.11%, 0.09%, 0.07%, 0.08%, 0.16%, 0.11%, 0.04%, 0.13%, 0.06% and 0.05% of the interest in our Company, respectively. Please see “Statutory and General Information – 5. Share Incentive Schemes” in Appendix VI to this document for further details of the Employee Shareholding Platforms.
6. The Luoyang Company Minority Shareholders comprise Missile Academy, Shunying Investment, Zhongguancun Guosheng, China Aviation Investment Holding Company and Hongdu Airline, which holds approximately 0.65%, 0.23%, 0.14%, 0.11% and 0.09% of the Shares of our Company immediately before completion of the [REDACTED], respectively.
7. The remaining 49% of the equity interests in Chengdu Company was held by Chengdu Heavy Industry Longjin.
8. The remaining 49% of the equity interests in Wuhan Company was held by Wuhan Jingkai Investment.
9. The remaining 80% of the equity interests in Hefei Company was held by Hefei Beicheng Investment. Pursuant to the voting rights entrustment agreement and acting-in-concert agreement entered into between our Company and Hefei Beicheng Investment on September 25, 2021, Hefei Beicheng Investment agreed to entrust the voting rights representing 31% of the equity interests in Hefei Company to our Company for a period of seven years commencing from the date of the aforesaid agreements. Furthermore, pursuant to the articles of association of Hefei Company, the board of directors of Hefei Company shall comprise of three directors, of which our Company is entitled to nominate two directors while Hefei Beicheng Investment is entitled to nominate one director. In light of the aforesaid arrangement, our Company has over 50% of voting rights in Hefei Company and the control of the board of directors of Hefei Company, and Hefei Company is therefore deemed as a subsidiary of our Company and its financials are consolidated into the accounts of our Company.
10. The remaining 49% of the equity interests in Fujian Company was held by Jinyuan Industry.
11. The remaining 49% of the equity interests in Jiangmen Company was held by Jiangmen New Energy.
12. Lihang Jinzhi, Jinyuan Investment, Jinyuan Industry, Xiamen Jinli No. 2 and Jinli Investment are our [REDACTED] Investors. Since each of Lihang Jinzhi, Jinyuan Industry, Xiamen Jinli No. 2 and Jinli Investment was ultimately controlled by Jinyuan Investment, therefore Jinyuan Investment is deemed to be interested in the Shares held by aforesaid entities in the Company. Accordingly, Jinyuan Investment directly and indirectly controls an aggregate of approximately [REDACTED] of our Company’s voting rights immediately prior to the [REDACTED]. Please see “Substantial Shareholders” in this document for further details. In addition, the executive partner of Lihang Jinzhi (being Xiamen Lihang Equity Investment), holding approximately 0.66% of Lihang Jinzhi’s capital, is one of our Employee Shareholding Platforms established for the purpose of the implementation of the 2019 Share Incentive Scheme. For further details of the 2019 Share Incentive Scheme, please see to the section headed “Statutory and General Information – 5. Share Incentive Schemes – A. 2019 Share Incentive Scheme” in Appendix VI to this document.

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The following chart sets out our shareholding structure immediately after the completion of the [REDACTED] (assuming the [REDACTED] is not exercised):



Notes:

1. Jintan Holding is wholly-owned by the Government of Jintan District. The investment by Jintan International in our Company was made in accordance with the instructions of Jintan Holding and Jintan International exercises its voting rights in our Company in accordance with the instructions of Jintan Holding.
2. The remaining 10% interest of Jintan Hualuogeng is held by Changzhou Investment Group Co., Ltd.* (常州投資集團有限公司), which is ultimately controlled by the Municipal Government of Changzhou.
3. Chengfei Integration is a company listed on the Shenzhen Stock Exchange (stock code: 002190) and its largest shareholder is AVIC as of the Latest Practicable Date.
4. Please see “[REDACTED] Investments” in this section for further details of the [REDACTED] Investors.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

5. Immediately upon completion of the [REDACTED], the Employee Shareholding Platforms include Changzhou Lihang Kaibo No. 11, Xiamen Lihang Kaibo No. 1, Changzhou Lihang Kaibo No. 1, Changzhou Lihang Kaibo No. 2, Changzhou Lihang Kaibo No. 3, Changzhou Lihang Kaibo No. 4, Changzhou Lihang Kaibo No. 5, Changzhou Lihang Kaibo No. 6, Changzhou Lihang Kaibo No. 7, Changzhou Lihang Kaibo No. 8, Changzhou Lihang Kaibo No. 9 and Changzhou Lihang Kaibo No. 10, which hold approximately [REDACTED] and [REDACTED] of the interest in our Company, respectively. Please see “Statutory and General Information – 5. Share Incentive Schemes” of Appendix VI to this document for further details of the Employee Shareholding Platforms.
6. The Luoyang Company Minority Shareholders comprise Missile Laboratory, Shunying Investment, Zhongguancun Guosheng, China Aviation Investment Holding Company and Hongdu Airline, which holds approximately [REDACTED] and [REDACTED] of the Shares of our Company immediately after completion of the [REDACTED], respectively.
7. The remaining 49% of the equity interests in Chengdu Company was held by Chengdu Heavy Industry Longjin.
8. The remaining 49% of the equity interests in Wuhan Company was held by Wuhan Jingkai Investment.
9. The remaining 80% of the equity interests in Hefei Company was held by Hefei Beicheng Investment. Pursuant to the voting rights entrustment agreement and acting-in-concert agreement entered into between our Company and Hefei Beicheng Investment on September 25, 2021, Hefei Beicheng Investment agreed to entrust the voting rights representing 31% of the equity interests in Hefei Company to our Company for a period of seven years commencing from the date of the aforesaid agreements. Furthermore, pursuant to the articles of association of Hefei Company, the board of directors of Hefei Company shall comprise of three directors, of which our Company is entitled to nominate two directors while Hefei Beicheng Investment is entitled to nominate one director. In light of the aforesaid arrangement, our Company has over 50% of voting rights in Hefei Company and the control of the board of directors of Hefei Company, and Hefei Company is therefore deemed as a subsidiary of our Company and its financials are consolidated into the accounts of our Company.
10. The remaining 49% of the equity interests in Fujian Company was held by Jinyuan Industry.
11. The remaining 49% of the equity interests in Jiangmen Company was held by Jiangmen New Energy.
12. Lihang Jinzhi, Jinyuan Investment, Jinyuan Industry, Xiamen Jinli No. 2 and Jinli Investment are our [REDACTED] Investors. Since each of Lihang Jinzhi, Jinyuan Industry, Xiamen Jinli No. 2 and Jinli Investment was ultimately controlled by Jinyuan Investment, therefore Jinyuan Investment is deemed to be interested in the Shares held by aforesaid entities in the Company. Accordingly, Jinyuan Investment directly and indirectly controls an aggregate of approximately [REDACTED] of our Company’s voting rights immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercise). Please see “Substantial Shareholders” in this document for further details. In addition, the executive partner of Lihang Jinzhi (being Xiamen Lihang Equity Investment), holding approximately 0.66% of Lihang Jinzhi’s capital, is one of our Employee Shareholding Platforms established for the purpose of the implementation of the 2019 Share Incentive Scheme. For further details of the 2019 Share Incentive Scheme, please see “Statutory and General Information – 5. Share Incentive Schemes – A. 2019 Share Incentive Scheme” in Appendix VI to this document.

BUSINESS

OUR MISSION AND VISION

We are a world-leading new energy technology company. We shoulder the mission of energy safety for mankind. We drive the positive development of the industry with innovative concepts and leading core technologies.

Adhering to our corporate spirit of “beyond commerce, bettering mankind”, we are committed to leading the new energy era.

OUR ACHIEVEMENTS

We are mainly engaged in the design, R&D, production and sales of EV batteries and ESS products. Through the continuous innovation of technology, we have built a high degree of mutual trust, synergy and win-win relationship with partners in the upstream and downstream of the industry chain, leading the progress and development of the industry.

Our innovative initiatives, and our achievements in quality, technology and R&D laid the foundation for our leading product capability.

According to Frost & Sullivan, in terms of installed capacity in 2021, we:

- ranked second in China among third-party EV battery companies;
- ranked seventh globally among EV battery companies;
- were the only company with over 100% year-on-year growth rate from 2019 to 2021 among the top ten EV battery companies in China^{Note}; and
- were one of the most rapidly growing core EV battery companies in the world.

We are driven by continuous technological innovation. According to Frost & Sullivan, we are one of the few EV battery companies with comprehensive independent R&D capabilities and the ability to independently complete production of EV batteries. Taking the ever-leading product competitiveness-oriented approach, we strive to satisfy the key requirements of greater safety, higher energy density and longer battery life for NEVs and ESS while abiding to the efficient use of resources and to support sustainable social development.

As a core member of the industry, adhering to the “mutually beneficial” principle, we strongly believe that building and enhancing a healthy ecosystem for the industry is our mission. Leveraging on our well-established technological innovation platform, we have built deep strategic partnership with major suppliers and customers. With them, we jointly developed material and equipment related technology and innovative products, which in turn, further promote the joint development of the industry.

Note: Entities with installed capacities of less than 0.1 GWh for two years in a row are not applied for calculating year-on-year growth rate.

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Our management team views advancing energy innovation and making the world a better place as its mission. Our vision attracts employees with the same values. We believe the shared mission contributed to our employee stability and dedication, and when coupled with the excellent leadership of our management, our mission is carried out through dedication to customers, to products and to the industry.

Our total revenue increased from RMB1,733.8 million in 2019 to RMB6,817.1 million in 2021, representing a CAGR of 98.3% from 2019 to 2021. The sales volume of our EV batteries increased from 1.62GWh in 2019 to 9.31GWh in 2021, with a CAGR of 139.7% from 2019 to 2021. Our sales volume of ESS products increased from 0.2GWh in 2019 to 0.67GWh in 2021, representing a CAGR of 83.0% from 2019 to 2021.

OUR STRENGTHS

We are a leading EV battery company

Our innovative initiatives, and our achievements in quality, technology and R&D laid the foundation for our leading product capability.

According to Frost & Sullivan, in terms of installed capacity in 2021, we:

- ranked second in China among third-party EV battery companies;
- ranked seventh globally among EV battery companies;
- were the only company with over 100% year-on-year growth rate from 2019 to 2021 among the top ten EV battery companies in China^{Note}; and
- were one of the most rapidly growing core EV battery companies in the world.

We have established a scaled operation, which in turn, has helped us manage our exponential growth in an effective manner. As scaled operation is a key entry barrier for the EV battery industry, we believe our accomplishments as mentioned above guarantee our future sustainable development and further cement our position as a leading player and a core member of the EV battery industry.

According to Frost & Sullivan, the NEV market in China is projected to grow at a CAGR of 23.6% between 2021 and 2026. Meanwhile, EV battery is a core component of NEVs and China is the largest EV battery market with EV battery installed capacity in the world, projected to grow at a CAGR of 37.6% between 2021 and 2026 according to Frost & Sullivan. We believe that leveraging on our leading position and first-mover advantage in the EV battery industry and close collaboration with NEV manufacturers, we are well positioned to continue to grow rapidly and to benefit from the growth of EV battery market.

Note: Entities with installed capacities of less than 0.1 GWh for two years in a row are not applied for calculating year-on-year growth rate.

BUSINESS

We continue to build a globally influential innovation platform and lead industry development

Taking the ever-leading product competitiveness-oriented approach, we strive to satisfy the key requirements of greater safety, higher energy density and longer battery life for NEVs and ESS products while abiding to the efficient use of resources and to support sustainable social development. Such effort has led us to become the pioneer in introducing:

- the high-voltage three-wire system features high energy density, long battery life and excellent safety, making it one of the best battery system solutions for passenger vehicles and realized mass capacity installation;
- the “magazine battery” launched by us is the first of its kind in the industry to prevent fire in the nail penetration test of the ternary battery system, which significantly improves the thermal safety level of the ternary battery system and realized satisfactory application;
- all tab laminated battery has excellent volumetric energy density and outstanding fast charging performance. It has been successfully installed by a number of key customers in their mainstream new platform models; and
- “One-stop Bettery^(Note 1)” battery with the newly developed minimalist structure, which has advantages in energy density, safety and economy, making it the focal point of the industry.

We are driven by continuous technological innovation. According to Frost & Sullivan, we are one of the few EV battery companies with comprehensive independent R&D capabilities and the ability to solely complete the production of EV batteries. Our globally influential EV battery innovation platform encompasses six major parts, namely advanced materials, advanced batteries, advanced simulation and testing, intelligent manufacturing, battery recycling technology and digitalization. Our innovative capability allowed us to develop a series of first-to-market core technologies and enabled us to develop and manufacture next-generation EV batteries. Such achievement, in turn, lets us enjoy first-mover advantage in product application management and further elevate our battery technology reserve. We also have in-depth cooperation with industry-chain enterprises to achieve key technological breakthroughs across disciplines and domains. Our R&D results have been adopted by many major industry players.

We have a strong R&D team and have built a comprehensive and efficient R&D system. Technology innovation is key to the success of EV battery industry participants, while technology and expertise accumulation are valuable to product development. Luoyang Company was amongst the first to conduct EV battery research and product development in China. We have benefited from the expertise accumulation and have established a R&D team with over 1,000 R&D personnel with multi-disciplinary and extensive industry experience. We have a long-term commitment to technology accumulation of basic material research, mechanism analysis, simulation, system design, manufacturing engineering, recycling, and digitalization, and hold the core patents of our core products. At the same time, we have a comprehensive and efficient R&D system to support the iterative upgrade of technology and the efficient development of products.

Note 1: Bettery is a term for better battery.

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We are the Jiangsu Provincial Enterprise Technology Center awarded by Jiangsu Provincial Industry and Information Technology Department. Our research institute is the pioneering independent R&D organization of leading enterprises in Jiangsu Province, and a testing and verification center certified by the China National Accreditation Service for Conformity Assessment (“CNAS”). We actively lead the progress of the industry, having successively undertaken three national key development projects, six National High-tech R&D Program (“863 Program”) projects, a national intelligent manufacturing project, a national innovation engineering project, two key research programs in Jiangsu Province and four Natural Science Foundation Projects in Jiangsu Province. We contribute to the healthy development of the industry, actively participate in the formulation of national and industry-related standards, and preside over or join in the formulation of four national standards, 13 industry standards, and 11 group standards.

We have in-depth manufacture engineering foundations and industry leading scaled operational capabilities

Under the guidance of our “beyond commerce, bettering mankind” corporate spirit, we mastered efficient, digital and scaled operational capabilities and manufacture engineering capabilities. Such spirit and capabilities have enabled us to attain an industry leading operational scale, which in turn, gives us the ability to transform cutting-edge technology consistently and rapidly into publicly benefiting products. This is our mission and it is also one of our core competitive strengths.

By understanding the profound logic of efficient operation, we have built an excellent operation management team and mastered the capability of scaled operation. This is based on the premise of customer-orientation and maximizing our overall value, creating an efficient, collaborative and flat liquid organization structure, and building a management model that integrates delivery planning and cost control, so as to ensure the efficient and smooth operation of key business processes and improve customer satisfaction. In the process of construction, iteration and scaled operation of products and production lines, we have cultivated a group of composite technicians who understand product quality and can organically integrate engineering technology and chemical systems, and forged a group of production teams with sufficient talent reserves.

In addition, we have extensive manufacture engineering technology capabilities. Our industry-leading technical capabilities allowed us to apply ultra-high-speed cutting and stacking machine to mass production. We possess the closed-loop control intelligent coating system and internationally leading fully automated assembly lines, while having the ability to manage the whole product life cycle, featuring industry-leading automation, digitalization and intelligent-features. Through real-time control of the manufacturing process throughout the product lifecycle, we ensure the smooth and efficient operation of the entire manufacturing process, combined with standardized processes to achieve rapid process upgrades and product iterations, so as to continuously and stably deliver products that meet customer needs. Therefore, we maintained high penetration rate to mainstream NEV models of our major customers. For example, during the Track Record Period, our penetration rate to Aion series of GAC Group has exceeded 70%.

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During the Track Record Period, we experienced rapid growth, attained an accumulated 14.86GWh sales volume of EV batteries, while according to Frost & Sullivan, accumulated sales volume of over 10GWh of EV batteries is a key industry production benchmark. At the same time, we have received multiple awards from our major customers and have continuously increased our coverage of NEV models. During the Track Record Period, the number of NEV models we supplied our products to Customer G increased to seven models. For Customer C, the number of NEV models we supplied our products grew to five models. Leveraging our operational and manufacturing engineering capabilities, we were able to guarantee superior performance of our products in mass production, which has passed rigorous tests of the market and helped us achieve a good delivery record.

We have industry partners with strategic synergy and high mutual trust while driving industry development together

As a core member of the industry, adhering to the vision of “mutually beneficial”, we strongly believe that building and enhancing a healthy ecosystem for the industry is our mission. Our products are an indispensable part of NEVs and ESS. Leveraging on our well-established technological innovation platform, we have built deep strategic partnership with major suppliers and customers. With them, we jointly developed material and equipment related technology and innovative products, which in turn, further promote the joint development of the industry.

Together with our supplier partners, we have reached a consensus on the future development direction of the industry, planned and jointly developed the technical direction of the materials. Such close relationships extend our technological innovation strength to the upstream of the industrial chain, while ensuring a stable supply of raw materials, so that our production capacity can meet customer demand in a timely manner. For more details on our relationship with our suppliers, please see “Supply Chain Management – Suppliers” in this section.

At the same time, we have formed a mutually trusted partnership with our customers. Backed by our strong R&D team, we grasp the needs of our customers from the source, cultivate our target markets, and work together to develop high-quality products that meet the needs of our customers. Our customers include a number of leading NEV companies, such as GAC Aion, Changan NEV and well-known companies such as Zhejiang Leapmotor Technology Co., Ltd.* (浙江零跑科技股份有限公司) (“Leapmotor”). During the Track Record Period, our penetration rate to our major customers continued to increase and we successfully expanded our customer base to well-known emerging NEV brands. We can continue to meet the needs of different customers and establish a close and trusting relationship with them. For more details on our relationship with our customers, please see “Sales and Marketing – EV Battery Customers” in this section.

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Based on the support of our suppliers and the trust of our customers, we have become a leading EV battery company, realizing the mission of continuing to lead the joint development of the industry.

We have a visionary management team with shared mission

Our management team views advancing energy innovation and making the world a better place as its mission. We attract employees with the same values. We believe the shared mission contributed to our employee stability and dedication, and when coupled with the excellent leadership of our management, our mission is carried out through dedication to customers, to products and to the industry.

We have visionary management team with excellent judgment on the trend of the EV battery industry and its technical development. With rich management experience, our management has structured a customer-oriented “sincerity, efficiency and win-win” corporate value. Under our corporate value, strategic choices and focus have been implemented in order to achieve the effective allocation of resources and to form our management system. Our chairwoman, Ms. Liu Jingyu, with international company management experience, has a clear and precise vision on market trends and has integrated resources to adjust our Company’s development strategy in a timely manner and ultimately established our leading position in EV battery industry. Under our management’s outstanding leadership, we have attained profound success, established a strong development foundation that will benefit us in the years to come.

Our Strategies

We strive to lead the energy evolution and to create a better world for mankind through the following strategies.

All around technology advancement strategy

The EV battery industry is rapidly evolving. As a leader in the industry, we seek to be at the forefront of the technology advancement through implementing an all around technology advancement strategy.

The iterative update features of EV batteries has entered from focusing on chemical system iteration previously to a stage of structural innovation, chemical system upgrade, manufacturing technology and smart management. We are committed to continuously increasing R&D investment and maintaining a leading position in advanced chemical energy storage materials, high-performance batteries, smart manufacturing, new-type batteries and battery life-cycle management technologies, so as to ensure the competitive advantages of our products in various application fields.

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- In the field of chemical energy storage materials, we will continue to focus on the balance between high energy density and resource utilization efficiency, accelerate the industrial application of new material technology and increase R&D investment in next-generation materials;
- In terms of high-performance battery and system technology, we seek to build a comprehensive leadership advantage in the fields of high specific energy, long life, high degree of safety, high power and all-climate technology;
- In the field of smart manufacturing technology, we seek to achieve high-efficiency manufacturing technology upgrades through battery structure innovation and high-integration manufacturing process innovation, and at the same time realizing high-reliability and large-scale delivery capabilities that are fully ahead of competitors in the same industry through smart technologies for high quality and high efficiency production;
- In the field of new batteries, we will continue to increase the R&D investment in solid-state lithium batteries and lithium-sulfur batteries, so as to build a leading edge in next-generation battery technology;
- In terms of battery life-cycle management, with the goal of maximizing the value of battery life cycle, we will continue to invest in the development of smart battery management technology, so as to realize a safe, reliable and long-life operation of battery. Meanwhile, to achieve a sustainable social value, we will actively explore various high efficiency echelon utilization and recycling technology, promote the closed loop of battery resource recycling, build a green and environmentally friendly battery industry ecosystem.

In addition, we intend to iterate in our product development more quickly based on technological innovation. We intend to expand our product supply, continue to enrich our product portfolio, enhance the depth of technical cooperation between us and strategic customers, so as to achieve rapid transformation from leading in technology to leading in products. With our continuous investment in R&D, we will continue to strive to be at the forefront of EV battery technology development and product innovation.

Scaling-up strategy

As a core member of the EV battery industry, we proudly shoulder the responsibility to lead and to advance energy evolution. We have a globally influential innovation platform that pillars the iteration of our technology and products. Based on our operational capability, manufacturing capability and technical strength, we plan to launch new or scale up existing projects to further increase our production capacity, so as to ensure that we continue to bring quality products to the market, which we believe, is an important part of achieving energy innovation. We build production base in various locations, including Changzhou, Xiamen,

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Chengdu, Wuhan, Hefei and Jiangmen. We expect to materially expand our production capacity through such projects. At the same time, we will continue to seek suitable locations and partners for timely addition of new industrial bases and seek opportunities to expand overseas.

Promoting a sustainable industry development

As a leading EV battery enterprise, we are well-positioned to lead our upstream and downstream partners in promoting the development of a sustainable EV battery ecosystem. With our upstream partners, we will continue to launch cooperation programs and jointly develop materials that are more environmentally friendly and energy-efficient. We entered into a lithium project investment agreement with Sichuan Pengshan Economic Development District on December 29, 2021. We believe the investment further strengthens the stability of our raw material supply, which is essential to our rapid growth. Through the project, we will also more closely collaborate with our upstream partners, which is in line with our development strategy of promoting a sustainable EV battery ecosystem. On the downstream end, we will continue to partner with our customers to introduce technically advanced products that contribute to the energy evolution. We believe such efforts contribute to the better resource allocation and establishment of a sustainable industry ecosystem.

BUSINESS MODEL AND PRODUCTS

Overview

We are the leader and a pioneer in the EV battery industry. We are committed to providing high quality products and comprehensive solutions to customers. We boast profound R&D capabilities, advanced manufacturing technology, rigorous quality control measures and efficient operations. According to Frost & Sullivan, in terms of installed capacity, we were the only company with over 100% year-on-year growth rate from 2019 to 2021 among the top ten EV battery companies in China according to Frost & Sullivan.^{Note}

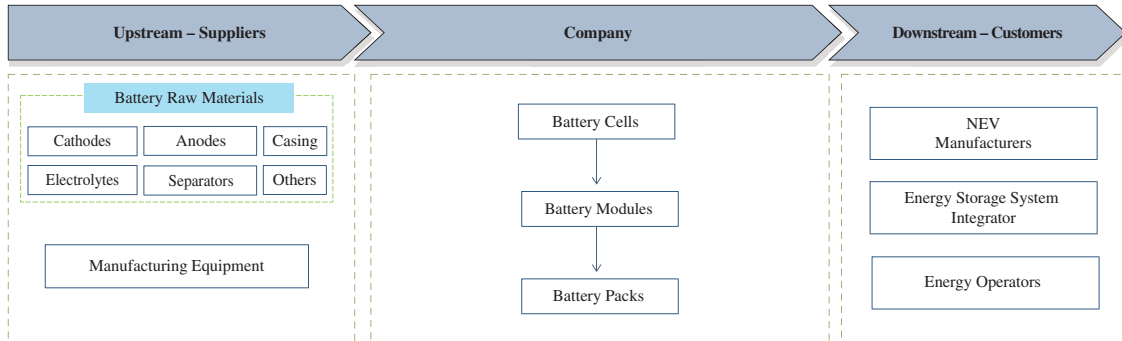
Our Business Model

We are mainly engaged in the design, R&D, production and sales of EV batteries and ESS products. Through the continuous innovation of technology, we have built a high degree of mutual trust, synergy and win-win relationship with partners in the upstream and downstream of the industry chain, leading the progress and development of the industry.

Note: Entities with installed capacities of less than 0.1 GWh for two years in a row are not applied for calculating year-on-year growth rate.

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Please see below for our business model flowchart.



EV Batteries

We design, R&D, manufacture and sell battery cells, battery modules, and battery packs with ternary and lithium iron phosphate systems that are mainly applied to NEVs. Our products are an indispensable component of NEVs, having a direct impact on key NEV performance indicators, such as mileage, vehicle life and safety. We have strong technological capabilities in EV battery and ESS products design and engineering, covering the entire development process from product concept to completion.

We establish a full life cycle and high-standard quality management system from conception to mass production, as well as a mature and complete technical standard system to ensure product quality and balance cost and time efficiency. We implement a strict verification process to ensure that our EV batteries meet the designed specifications. Before launching a new product, we conduct verification process at each of its key manufacturing stage including at battery cell level, battery module level and battery pack level. We have research and testing sites that allow our research engineers to design, analyze and validate our design for EV batteries at all levels. Leveraging our strong design and engineering capabilities, we have designed and launched a variety of EV batteries, highlights of which include the following:

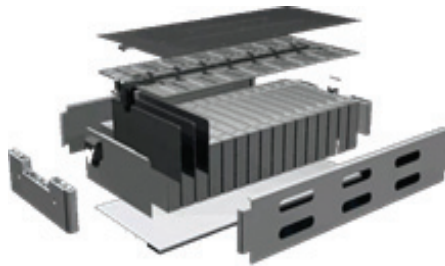
- (i) **The High-Voltage Three-Wire System** features:



- a. High energy density, long battery life and excellent safety, making it one of the best battery system solutions for passenger vehicles.

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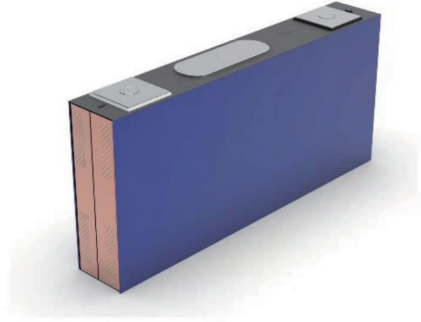
- b. Our ternary battery pack products passed the nail penetration and heat diffusion test by China Automotive Technology and Research Center Co., Ltd. (“CATRC”), a science research institute established to meet China’s need of managing automotive industry.
 - c. In 2020, we took the lead in using high-voltage material technology for mass production of 590 module battery in the world, which is installed on Aion-LX model designed by our major customer, GAC Aion.
 - d. The Aion-LX model installed with our 590 module battery was one of the first domestic SUV electric vehicle model with a driving range of more than 600km.
 - e. We developed a 100kWh battery system product with energy density of 225Wh/kg which was the first in the industry.
- (ii) The “**magazine battery**” launched by us is:



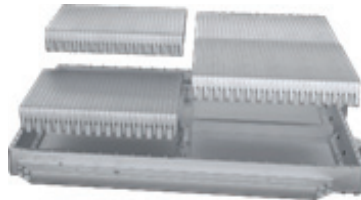
- a. the first of its kind in the industry to pass the fire-proof test, which significantly improves the thermal safety level of the ternary battery system.
- b. Our magazine battery adopts intelligent security technology that integrates software and hardware and has ultra-high heat resistant capabilities. We apply the nano-scale coating and doping technology of the cathode materials, which can effectively improve the thermal stability and prevent thermal runaway, and a super heat-insulated battery safety compartment, which means that even if the battery cell ignites, the safety compartment will control the thermal runaway locally. The upper shell of the battery pack can withstand a temperature of more than 1400°C, thereby effectively protecting the entire battery pack.

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- (iii) **All tab laminated battery** has excellent volumetric energy density and outstanding fast charging performance. It has been successfully adopted by a number of our major customers’ mainstream NEV models.



- (iv) **One-stop Bettery**^(Note 1) battery with the newly developed minimalist structure, which has advantages in energy density, safety and economy, making it the focal point of the industry.





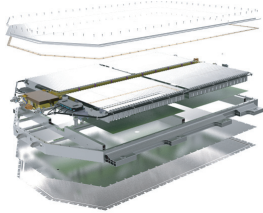
- a. One-stop Bettery battery adopts super thin shell of only 0.22mm with no traditional shell cap and integrates by multi-functional composite packaging technology, and can improve the space utilization rate of the battery by 5% and decrease the structural component weight by 40% compared to that of a traditional battery structure.
- b. One-stop Bettery battery can be applied to both LFP and ternary batteries where LFP batteries equipped with one-stop technology will support the vehicle’s driving range of up to 600km and help it obtain a lower cost and enhance its competitiveness.

According to the difference in cathode materials, our EV batteries comprise ternary battery and LFP battery, where ternary battery refers to a battery whose cathode consists of nickel, cobalt, manganese while LFP battery uses lithium iron phosphate as cathode materials. Generally, ternary batteries have higher energy density, higher charging efficiency and better low temperature adaptability, but have very high technical requirements for the guarantee of battery safety, while LFP batteries have longer cycle life and lower material cost. From a structural point of view, both ternary batteries and LFP batteries can be shipped and sold in the

Note 1: Bettery is a term for better battery.

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form of a battery cell, battery module and battery pack, where a battery cell is the most important competent to power NEVs and provide energy sources, a module consists of battery cells in series and parallel and a battery pack is made up of battery modules. The table below sets forth a general description and representative picture of our major products:

Type	LFP	Ternary NCM
	<ul style="list-style-type: none"> Capacity: 100Ah~230Ah Energy Density: 170Wh/kg~190Wh/kg Life Cycle: 4000 times+ 	<ul style="list-style-type: none"> Capacity: 50Ah~218Ah Energy Density: 230Wh/kg~280Wh/kg Life Cycle: 2000 times+
	<ul style="list-style-type: none"> Battery module efficiency: 92%-94% Safety: thermal runaway suppression and fire-proof 	<ul style="list-style-type: none"> Battery module efficiency: 92%-94% Safety: thermal runaway suppression and fire-proof
	<ul style="list-style-type: none"> Electricity: 10kWh~80kWh Energy Density: 140Wh/kg-150Wh/kg Battery pack efficiency: 77%-80% Safety: thermal runaway suppression and fire-proof 	<ul style="list-style-type: none"> Electricity: 30kWh~100kWh Energy Density: 170Wh/kg~225Wh/kg Battery pack efficiency: 77%-80% Safety: thermal runaway suppression and fire-proof

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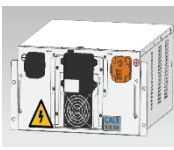

In addition to EV batteries for NEVs, we also design, R&D, manufacture and sell ESS products for ESS. During the Track Record Period, our ESS products featuring “high safety, long life, high efficiency and high integration” were integrated to a variety of ESS, which can be applied to power generation stations, power grid enterprises, data centers and base stations according to the differentiated needs of ESS downstream participants.

According to Frost & Sullivan, an energy storage battery is the most valuable part of an ESS. Our ESS products include LFP battery modules, battery boxes and battery containers, which can be integrated to form a functional ESS for customers on the power generation side, the grid side and the user side. According to the Frost & Sullivan, we provided energy storage batteries for one of then largest lithium-ion battery ESS projects in the world in August 2020. We have also provided photovoltaic + energy storage solutions and technical support for multiple energy storage projects.

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We provide customers with a variety of ESS products covering various application areas such as the power generation, power grid and user, with “high safety, long life, high efficiency and high integration” as its core product competitiveness.

Below is a general description and representative picture of our major products:

Product Category	
	<p>Battery cell</p> <ul style="list-style-type: none"> • Capacity 163Ah~280Ah • Dimension 36~72×173×207~220 • Life Cycle 4,000~9,000 times
	<p>Battery module</p> <ul style="list-style-type: none"> • Energy 11.2kWh~18.78kWh • Dimension 580~756×471~652×230~245 • Life Cycle 3,500~8,000 times
	<p>Containerized ESS</p> <ul style="list-style-type: none"> • Energy 2.5MWh~3.5MWh • Dimension 12192×2438×2896 • Life Cycle 8,000 times

In addition to EV batteries and ESS products, we also sell battery materials.

The following table sets forth a breakdown of our revenue by products for the years indicated:

	Years Ended December 31,					
	2019		2020		2021	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
EV battery	1,409,888	81.3	2,499,300	88.5	6,065,200	89.0
ESS	181,166	10.5	238,181	8.4	446,080	6.5
Others	142,778	8.2	87,938	3.1	305,835	4.5
Total	<u>1,733,832</u>	<u>100</u>	<u>2,825,419</u>	<u>100</u>	<u>6,817,115</u>	<u>100</u>

Note: Others mainly include sales of battery materials, etc.

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Please see “Financial Information – Principal Components of Consolidated Statements of Profit or Loss – Sales Volume and Average Selling Price of Our Products” for further details of our sales volume and average selling prices during the Track Record Period.

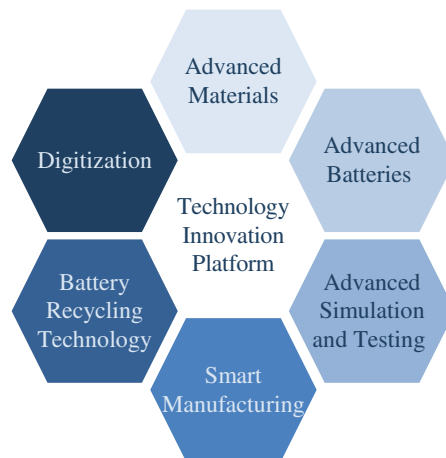
R&D

R&D Team

The EV battery industry is characterized by rapid technological advances, innovation and evolving customer demands. Our competitiveness therefore significantly depends on our ability to develop innovative, advanced technologies that meet evolving customer’s demands and preferences. To this end, and as a fast-growing EV battery company, we rely on our R&D to establish and strengthen our market position.

Our innovative capabilities allow us to develop a series of innovative core technologies and enable us to develop, manufacture, and create next-generation EV batteries. Such achievement, in turn, lets us enjoy first-mover advantage in product application management and further elevates our battery technology reserve. During the Track Record Period, we provided our customers with technologically advanced products, which in turn enhanced the competitiveness of their products, and resulted in stronger demand for such products.

Our globally influential technology innovation platform encompasses the following six major parts:



Our R&D workforce consists of seasoned industry experts who have conducted in-depth research into EV battery industry and possess global vision that keep them abreast of the advanced technological trends. As of the Latest Practicable Date, we have over 1,000 R&D staff who are devoted in the R&D of advanced materials, batteries and systems, manufacturing and engineering, battery management technologies and other fields.

BUSINESS

In addition to our excellent in-house technical capabilities, we carry out our R&D activities through our extensive R&D resource network. Our strong R&D capability is evidenced by our extensive R&D resource network and our numerous patents and awards. We intend to establish strategic partnerships with top universities and R&D institutions in the PRC to jointly develop cutting-edge technologies and products to meet evolving market demands. We believe that these collaborations will deepen our insight into industry trends and emerging technologies, allowing us to focus on our current and future R&D efforts in a more efficient manner. In addition to technological innovation, we also seek advice from quality control experts in the EV battery industry to optimize the quality of our products.

We work closely with various industry leading enterprises to jointly develop materials for EV batteries. We have formed in-depth collaboration with our upstream and downstream partners in the EV battery industry ranging from raw material suppliers to NEV manufacturers to jointly develop cutting edge products.

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

- **Ownership of intellectual property.** Any intellectual property ("IP"), including but not limited to technological innovations, discoveries, inventions, designs, formula, know-how, trade secrets, tests performance data, production methods created from the joint development work performed in accordance with the agreement, shall be owned by both parties. Neither party shall assign, transfer, pledge, dispose of or apply for patent or other protection of such IP without written consent by the other party.
- **Confidentiality.** Any information obtained during joint development shall not be disclosed to any other third party. The confidentiality obligation under the agreement shall not be affected by termination or lapse of the agreement.
- **Term and termination.** The term of the agreement varies from one year to four years on a case-by-case basis.
- **Development progress.** Each party shall inform the other one in writing of any delay or any anticipatory delay in development of the relevant products.
- **Sharing of costs.** Each party bears its own costs.

BUSINESS

Key R&D Programs

Development of New Chemical Energy Storage Materials and Products with High Energy Density

Development of High-Efficiency Precision Smart Equipment and Advanced Manufacturing

Development of High-Performance Batteries and Systems

Development Technology of Next-Generation Battery

Development of Battery Life Management Technologies

Our key R&D programs include the following:

- Energy storage materials
 - Continue to focus on the balance between high specific energy and resource utilization efficiency, accelerate the industrial application of new material technology and increase R&D investment in next-generation materials.
- Smart manufacturing technology
 - We seek to achieve technology upgrades efficiently through the battery structure innovation and the high-integration manufacturing process innovation.
 - At the same time, we expect to realize reliable and large-scale delivery capabilities through quality and efficient production supported by smart technology.
- High-performance battery and system technology
 - We seek to build a competitive advantage in the fields of energy utilization, long life cycle, high degree of safety, high power and all-climate technology.
- New batteries
 - We will continue to increase the R&D investment in solid-state EV batteries and lithium-sulfur batteries, so as to build a leading edge in next-generation battery technology.
- Battery life-cycle management
 - We will continue to invest in the development of smart battery management technology, so as to realize a safe, reliable and long-life operation of battery.

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- Meanwhile, to create a sustainable social value, we will actively explore various recycling technology, promote the closed loop of battery resource recycling, and build a green and environmentally friendly battery industry ecosystem.

INTELLECTUAL PROPERTY

As an innovation-driven company, we need to maintain our competitive position by protecting our intellectual property. We have a dedicated IP management team with high-caliber intellectual property personnel responsible for planning our intellectual property strategy. Our intellectual property strategy is based on a two-pronged approach of “protection of R&D achievements” and “prevention and control of IP risks” in support of the sustainable growth of our business.



Independent R&D and technological innovation are the foundation to our success. We develop comprehensive R&D plans and investment plans aimed to achieve sustainable development and form a systematic and integrated protection on intellectual property rights relying on the existing patent, trademark, copyright and other intellectual property protection laws. In connection with the disposal of Luoyang Company, on December 17, 2021, Luoyang Company as the transferor and our Company as the transferee entered into an intellectual property transfer agreement, pursuant to which Luoyang Company agreed to transfer all its titles and interests in approximately 500 patents and proprietary technology to our Company at the consideration of approximately RMB323.92 million, which was determined with reference to the assessed value as of September 30, 2021 of such patents and proprietary technology to be transferred as valued by an independent third party valuer. Following the signing of the intellectual property transfer agreement, Luoyang Company applied for the registration of the patent transfers with the relevant authorities, and following the completion of such registration, we are now the registered owner of such transferred patents.

As of the Latest Practicable Date, we have 793 patents, including 150 invention patents, 637 utility model patents and 6 design patents, and we have applied for 516 patents which are pending review, including applications for 327 invention patents, 188 utility model patents and 1 design application, which formed a patent portfolio covering the entire battery industry chain, ranging from battery materials, battery structure, system integration, electrical circuits, battery management systems (BMS), manufacturing process equipment to battery recycling. For details of patents in relation to our business, please see “Appendix VI – Statutory and General Information – 1. Further Information about Our Company – B. Intellectual Property Rights – (i) Patents”. In addition, we have registered 55 domestic and overseas trademarks in different categories, 23 domain names and 15 software copyrights.

BUSINESS

We fully comply with the intellectual property laws, rules and regulations, and make use of such rules, laws and regulations to protect our IP. We instill the awareness of IP risk prevention and control throughout the business chain, covering supplier selection and new product/technology development, so as to ensure that we do not run into risks of infringement that would hinder our ongoing operations. While respecting the intellectual property rights of the holders, we require our employees to sign standard agreements stating that service inventions, trade secrets, and R&D achievements obtained by our employees during their service with us shall be our assets and that the titles of such achievements shall be transferred to us. We legally safeguard our legal rights and interests by identifying and monitoring the potential risk of third-party infringement on our intellectual property rights.

We ensure effective protection of our R&D achievements and prevent and control of IP risks by our comprehensive IP protection management system. We have passed the certification of the national “GB/T 29490 – 2013 Enterprise Intellectual Property Management Code” and established a set of IP application, evaluation and reward policies to regulate and support our IP protection efforts. We have launched the “IP Rights for Everyone” campaign within our Group to enhance the awareness of IP protection of our employees, and appointed selected R&D personnel to be trained as CPM, who are to lead and promote the participation of all our employees in the campaign of protection of R&D achievements and prevention and control of IP risks. We rely on our IP rights to ensure the Company’s success in the market competition and technological innovation, as well as achieve our strategic development goals.

MANUFACTURING AND PRODUCTION

Production Sites

We possess a scaled production capacity and have accumulated extensive production experience through technological innovation and product iterative upgrades in respect of production of EV batteries and ESS products. Our scaled production capacity and advanced production techniques has pillared our rapid growth. Our production process is designed to achieve timely delivery of safe and reliable EV batteries and ESS products to our customers. We have expanded our existing production base and/or constructed new production bases at various sites, including Changzhou, Xiamen, Chengdu, Wuhan, Hefei and Jiangmen.

The following table sets forth the production volume, production capacity and utilization rate of our products for the years indicated:

Production line location	2019			2020			2021		
	production volume	production capacity	utilization rate	production volume	production capacity	utilization rate	production volume	production capacity	utilization rate
Changzhou									
Production Base	1.81	1.99	90.6%	2.85	3.08	92.4%	7.84	8.18	95.8%
Luoyang									
Production Base	0.88 ⁽⁵⁾	0.97 ⁽⁵⁾	90.7%	0.93	1.02	90.9%	2.21 ⁽⁸⁾	2.36 ⁽⁸⁾	93.7%
Xiamen									
Production Base	-	-	-	-	-	-	1.28	1.36	94.1%
In Total	2.69	2.97	90.6% ⁽⁷⁾	3.78	4.11	92.0% ⁽⁷⁾	11.33	11.90	95.2% ⁽⁷⁾

BUSINESS

Notes:

1. Production capacity is based on the optimal hourly production rate of various machines operating 24 hours a day for 330 working days a year (not including time spent on production line upgrade or adjustment).
2. Production volume refers to actual output for the relevant year/period.
3. The utilization rate is calculated by dividing production volume by the production capacity for the same period.
4. The units of production volume and production capacity in the table are GWh.
5. The production volume and production capacity disclosed for Luoyang Company for 2019 represent the relevant results since our acquisition of Luoyang Company in June 2019.
6. Any discrepancies in the above table among the amounts identified as utilization rate, the production volume and production capacity are due to rounding.
7. The utilization rate disclosed represents the average of utilization rates in Changzhou, Luoyang and Xiamen production bases.
8. Represents Luoyang Company’s production volume and production capacity from January 1, 2021 to November 7, 2021.

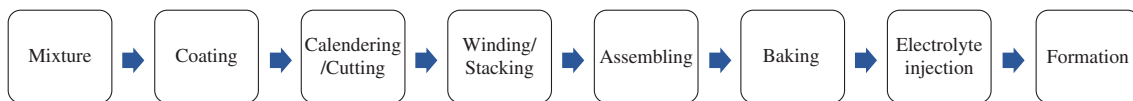
Manufacturing Process

The production of our EV batteries and ESS products consists of three stages: battery cell, the battery module and battery pack. The following are brief descriptions of each main stage in our production process.

Battery cell: Battery cell is an important component to provide energy sources for NEVs and ESS products. The characteristics of battery cell play a decisive role in the overall performance of EV batteries. A lithium-ion battery cell mainly comprises four parts:

- cathode and anode – store the lithium;
- electrolyte – carries lithium-ions between the cathode and anode; and
- separator – a thin plastic filter that physically separates the cathode and anode, only allowing ions to pass through.

A battery cell mainly comprises of four parts, i.e. cathode, anode, separator and electrolyte. The flowchart and the description below shows the major steps of the production of battery cells and a general description of the production process.

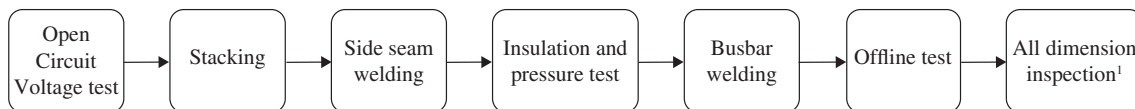


- Fully automatic slurry preparation and delivery system mixes cathode and anode materials, conductive agent and binder to form slurry.
- Coating process uses a double-layer high-speed wide-width coating machine to uniformly coat the slurry on the conductive current collector.

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- A bare cell is formed by combining the cathode and anode pieces and separators by winding or stacking.
- The tabs on the bare cells are connected with the cover plate by ultrasonic or laser welding. After the cell is put into the case, the process of sealing, baking, injection and formation are carried out to complete the production of the battery cell.
- Battery cells can be shipped separately, or they can be connected in series or parallel to form modules.

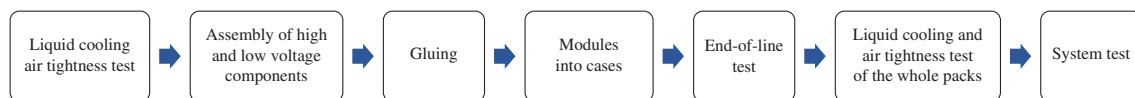
Battery module: A battery module may consist of a number of battery cells connected in series or parallel, and the number of different battery cells varies according to energy demand and voltage demand of the battery. The flowchart and the description below shows the major steps of the production of battery module and a general description of the production process.



- The battery cells are connected in series or parallel to stack and form a reliable unit, and a metal casing is added to the outside of the unit.
- The splicing of the metal casings adopts a precision laser welding process to achieve a reliable connection between the casings.
- The insulation of metal casing and the battery are tested.
- The laser welding process is used to weld the conductive strips and each battery pole together, so that each battery cell is connected in series or parallel to output energy.
- In the final step, we run an online automatic test on the wire bonding quality, module size, module electrical performance and appearance quality.

Battery modules can be directly delivered and can be assembled into battery packs for delivery.

Battery packs: The battery pack contains battery modules, electrical connections and cooling equipment. We design battery packs for specific vehicle models or ESS. The flowchart and the description below shows the major steps of the production of battery pack and a general description of the production process.



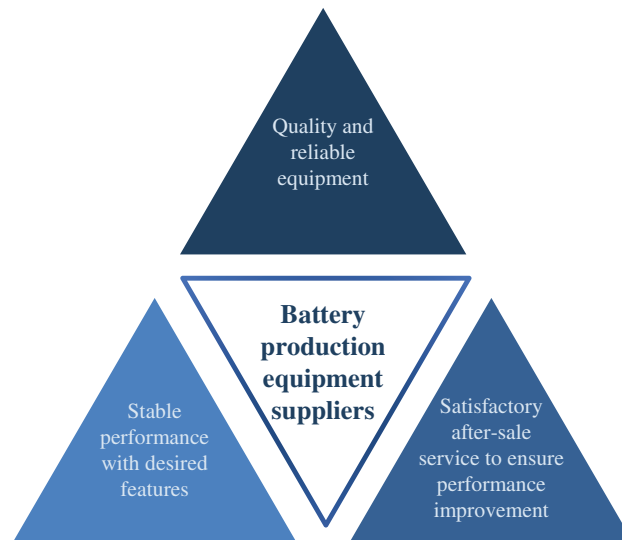
BUSINESS

- In the metal case, a layer of thermally conductive adhesive is evenly coated, following which a certain number of batteries are assembled into the metal case and fastened.
- The modules, battery disconnect units, battery management system and other components are connected through the low-voltage wiring harness to form a complete power system, then each functional component is tested for its reliability.
- The case cover and the case body are tightened and sealed for testing the air tightness of the whole pack.
- The last step is to perform a complete system dynamic test to test the electrical performance of the relevant system.

The battery pack, as the highest level of the power unit, can be directly delivered and assembled into the vehicle.

Production Equipment

We procure our equipment from quality domestic and oversea battery production equipment suppliers to ensure:



We adopt a joint development model for our cooperation with equipment suppliers. Such joint efforts enable us to supervise and control the manufacturing process of relevant equipment. We believe this model achieves a satisfactory combination of the supplier’s equipment manufacturing capabilities and our in-depth research capabilities and know-how on products and processes, so as to avoid technical issues in the design process and ensure the stability, efficiency and reliability of the relevant equipment. Moreover, in addition to strict process control in the equipment supplier and equipment manufacturing process, we also use our own testing equipment or engage a third party certified by CNAS to test the procured equipment to ensure its accuracy and reliable process capability.

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After the test is completed, we will carry out various types of maintenance measures on relevant machines and equipment, to ensure the stability and reliability of the equipment and preventing equipment downtime caused by unexpected technical issues. While using the relevant machines and equipment, we also seek to enhance the capabilities of the equipment and to improve the overall efficiency. During the Track Record Period and as of the Latest Practicable Date, we did not encounter any major interruptions in the production process due to facility or equipment failures nor did we incur any major accidents.

Our production facilities have been well maintained, are in good conditions and suitable for their designed purposes. Our utilization rate increased during the Track Record Period and we have to expand production quickly to meet the growth in the EV battery market and the growing demand for our products from our customers.

The following table describes our main production equipment as of the Latest Practicable Date.

No.	Name of the equipment	Usage and characteristics of the equipment	Country of origin	Estimated service life (month)	Remaining service life (month)
1	Mixing system	Mixing the raw materials evenly in accordance with prescribed proportions.	Japan/China	120	77~120
2	Coating machine	Coating the slurry on the current collector evenly.	Japan/China	120	77~120
3	Roller press	Compacting the coated coil to ensure the materials not falling off and reducing the thickness.	Korea/China	120	77~120
4	Automated battery cell making equipment	Stacking the cathode/anode electrodes and separator together by winding and stacking to form a cell.	China	120	77~120
5	Automated battery cell assembly line	Assembling all the relevant components of the battery cells into the shell to form a complete cell, automatic hot pressing, automatic forming cell and filling the electrolyte.	China	120	77~120
6	Automated formation system	Activating the materials in the battery by charging.	China	120	77~120
7	Automated module line	Assembling the battery cells into modules through series connection and parallel connection.	China	120	77~120
8	Automated battery pack line	A production line that assembles battery modules, electrical connections and cooling equipment.	China	120	77~120

BUSINESS

Production facility expansion plan

We expect that the total market demand for EV battery and ESS products will continue to grow rapidly. We believe that the demand for our products will increase significantly leveraging the competitive features of our products.

We have expanded our existing production base and/or construct new production bases at various sites, including Changzhou, Xiamen, Chengdu, Wuhan, Hefei and Jiangmen. We believe that our expansion plans will benefit our business in terms of: (i) meeting the demand from our customers and expanding our market share; and (ii) providing us with the opportunity to contribute more effectively to the achievement of carbon peak and carbon neutrality.

Feasibility study and critical criteria

In terms of construction/expanding production facility, we have adopted a comprehensive decision-making system and procedure to ensure that we can implement the construction/expansion plan successfully. Prior to the engagement of a qualified third party to issue a feasibility study report on our construction/expanding plan, we will organize the relevant departments to conduct preliminary studies on the construction/expanding plans, so as to meet the strategic development and business needs of our Company.

We will organize the relevant departments to take charge of obtaining, researching and reporting of national, local and industrial policy information. In addition, the relevant departments are also responsible for planning, organizing and implementing the production line construction and renovation projects.

The relevant departments are also responsible for coordinating various resources to identify and to eliminate risks to ensure a safe and managed construction process, so as to achieve our goals and deliver production lines with high speed, high safety level, high space utilization and low energy consumption. We will proceed to select and engage a qualified third party to issue a feasibility study report on the expansion plan only if the internal study concludes a satisfactory result.

The feasibility study generally includes the key criteria we consider for our investment plan:

- Market demand and product outline
- Technology and equipment
- Material supply
- Construction site and natural conditions

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- Project design proposal
- Organization, labor quota and personnel training
- Project implementation schedule
- Investment estimation and financing
- Economic analysis
- Risk analysis and preventive measures
- Environmental protection, occupational safety and health, fire protection, energy conservation
- Analysis of economic and social benefits

Production Planning Management

We make annual production plan, quarterly rolling production plan and monthly production arrangement to cover the entire delivery chain and supply chain level by level and to realize the effective synergy among development, production, supply and sales as well as the planning and implementation of bulk delivery:

- (1) to realize low investment risks and high utilization rate of resources through annual production plan combined with new product plan and customer demand to match with production line construction.
- (2) to ensure the quick daily turnover of our delivery chain and supply chain through quarterly rolling plan and monthly production arrangement featuring the following characteristics: (i) plan driven, (ii) collaborative procurement, (iii) cooperative logistics, and (iv) manufacturing execution.

QUALITY CONTROL

Adhering to our quality strategy of “zero defect, creating value, and earning respect”, the principle of “starting with customer needs and ending with customer satisfaction” and the quality vision of “goal-driven management, standard coverage process and integration between system and business”, we are committed to providing customers with high-quality and reliable products, while striving to continuously improve customer satisfaction, enhancing the core competitiveness of our Company, creating and sharing quality value with high-quality products and services so as to earn respect of employees, customers, suppliers and other stakeholders.

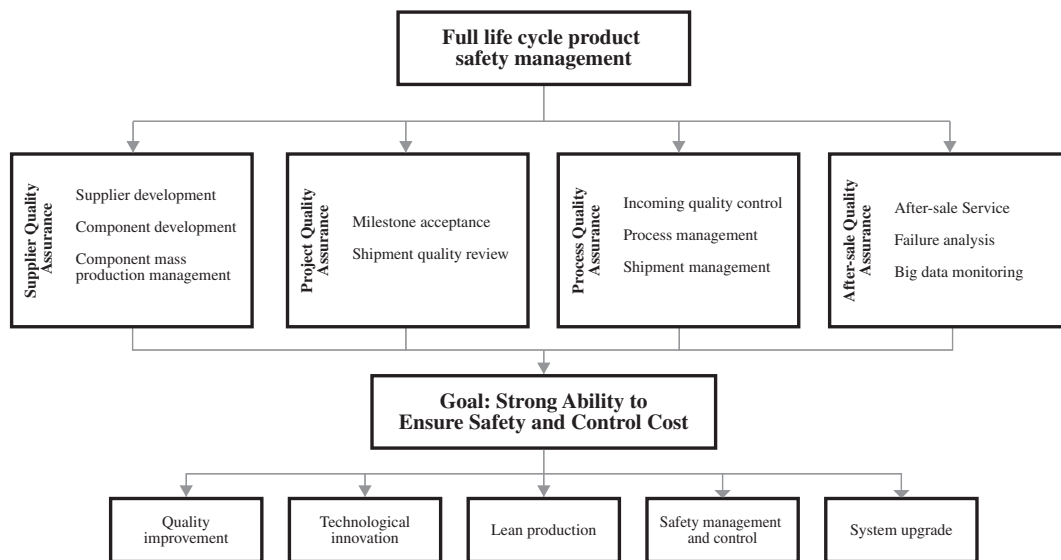
BUSINESS

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

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

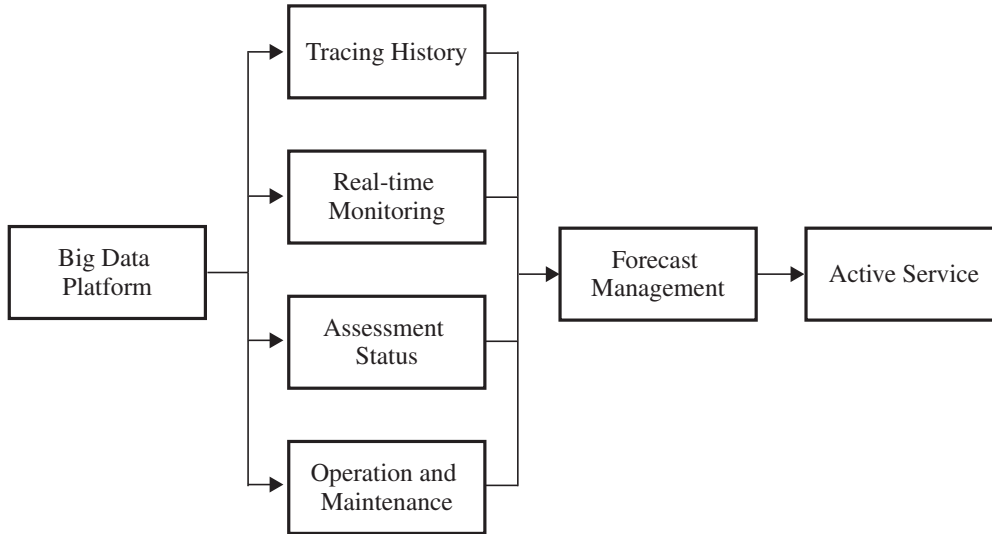
We actively implement our quality management system through our employees. We promote the continued improvement of our quality management system through a proactive five dimensions approach that includes “quality improvement”, “technological innovation”, “lean production”, “safety management and control” and “system upgrade”.

We have established a full life cycle quality control system for our products from design to after-sales, which is in line with international standards and customer requirements. The flow chart of specific quality system is as follows:



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We have also built our big data platform with following functions:



The core quality management team consists of a number of employees with master’s or doctorate degree, and our quality control management personnel have many years of experience in quality management roles in European or American mainstream automotive companies. At the same time, dozens of our personnel have obtained the IATF16949 quality system internal auditor qualification certified by the TÜV Rheinland Group in Germany, covering all business departments related to quality.

With our profound technical capability, we actively participated in the formulation of industry standards, implement the national enterprise standard “Front-runner” system, and strive to be the “Leader” of the “Front-runner” system. Our key achievements include:

- Jointly with China Automotive Engineering Research Institute Co., Ltd. drafted the “Front-runner Standard Evaluation Requirements” in the field of EV batteries, as an important standard for the industry’s recognized “Front-runner”.
- Cooperated with the China Automobile Center (the Secretariat of the National Automotive Standardization Technical Committee) to actively promote the formulation of objectives of the National Industrial standard.
- Amendment to GB/T 31467 “Li-ion EV Battery Packs for Electric Vehicles and System Electrical Performance Test Methods” and GB/T 31486 “Electric Performance Requirements and Test Methods of EV Batteries for Electric Vehicles”.
- Participated in the compilation of two industry standards for key components of EV battery systems-thermal management systems: QC/T “Electric Vehicle EV Battery Thermal Management System Part 1: General Requirements” and QC/T “Electric Vehicles EV Battery Thermal Management System Part 2: Liquid Cooling System”.

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- Cooperated with the China Automotive Engineering Association (CSAE) to lead the drafting of T/CSAE “Guidelines for Life Evaluation of Electric Vehicle EV Batteries” and T/CSAE “Technical Conditions for Decommissioning of Electric Vehicle EV Batteries”, and proposed opinions in relation to static pressure difference of retired batteries.

At the same time, we have obtained various certifications including:

- The IATF16949 certification.
- ISO9001 certified by the China Quality Association.
- Audit certification (VDA standard, ASES standard, QIP standard) designated by various international vehicle customers.
- Our after-sales management system has passed the GB/T 27922:2011 certification.
- Our testing laboratory has been accredited by the China National Accreditation Service for Conformity Assessment CNAS (ISO/IEC17025), and is also an authorized laboratory of TÜV and SGS.

Our products have also obtained:

- China’s mandatory inspection certification (GB 38031, GB 38032, GB/T 31484, GB/T 31486), energy storage type inspection, mining certification, classification society certification;
- International certification: UN certification, ROHS certification, hazardous characteristics classification certification, cargo transportation appraisal report (sea, land, air); EU TÜV certification, battery directive, REACH certification; North America UL certification; India BIS certification.

SUPPLY CHAIN MANAGEMENT

Suppliers

We have established a trusting and stable cooperative relationship with suppliers, which gives us a stable access to quality raw materials. We embrace the philosophy of co-creation and win-win cooperation and strive to build a positive EV battery ecosystem with our suppliers. We collaborate with our suppliers in the R&D of raw materials to produce safer, more reliable batteries with better energy density. Such cooperation not only helps us build strong relationship with our suppliers but also allows us to extend our technical expertise upstream. We believe such effort has been instrumental in building a stable raw material supply and enhancing our technical capability.

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Introduction of New Suppliers

The quality of our raw materials is crucial to the performance of our products, thus it is essential that we select suppliers carefully. We have a comprehensive evaluation system for selecting suppliers. Ahead of engaging new suppliers, our procurement, R&D, and quality teams evaluate potential suppliers in various aspects, including their qualifications, market reputation, production capacity, technology, quality and cost control.

Prior to accepting the suppliers as qualified suppliers by our Company, the sample products provided by them have to be technically verified by us. We have a supplier quality system to evaluate the suppliers' quality management capabilities. We strictly manage the quality of supplied products in accordance with the automotive industry standard VDA6.3, and we require the suppliers of our key manufacturing components to have obtained the IATF16949 qualification.

Raw Materials Procurement

The major raw materials of our products mainly include cathode material, anode material, separators, and electrolytes. We have a complete raw materials procurement framework. During the Track Record Period, we had not encountered any material shortage, delay or major difficulty in the procurement of raw materials from our suppliers.

Our direct raw material suppliers are mainly from China. To ensure a stable supply of raw materials, we analyze market supply and demand, conduct forward plans and establish strategic partnerships with leading suppliers in major material categories. Under our supplier management system, we closely collaborate with strategic suppliers to engage in upstream raw material research and to ensure a stable supply of relevant raw materials. In principle we seek to have relationships with two or more suppliers for the same raw materials to satisfy our needs and to ensure the stable supply of raw materials.

We also regularly evaluate the performance of our suppliers, focusing on criteria that include raw material quality, delivery, cost and, where applicable, the technical specifications of the products supplied by them. We have a team that engages in communication with our suppliers so as to manage our supply chain and our trusting and stable relationship with our suppliers.

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Supply Agreements

We generally enter into the following agreements with our supplier, including, the procurement framework agreement, the strategic cooperation agreement and purchase order.

The major contract terms of procurement framework agreements we enter into with our suppliers generally include the following: the rights and obligations of both parties in the procurement processes, matters in relation to the intellectual property rights that should be complied with during the performance of the agreement, and guarantee from our suppliers that the products supplied do not infringe the rights and interests of any third party.

We may also enter into long-term supply agreement with our strategic suppliers to jointly development the procured materials. Our long-term supply agreement generally contains similar terms as those of procurement framework agreement with exception to clauses in respect of joint development. We specify the criteria of the procured materials, the progress of joint development, the research personnel, costs, and the ownership of the intellectual property rights created by the joint development, for which we typically jointly own with our strategic suppliers.

We separately enter into purchase order form on an order-by-order basis after the procurement framework agreement is mutually agreed by both parties. The terms of a purchase order typically include the name, unit price, quantity and time of delivery of the supplied goods. In addition, we strategically enter into long-term supply agreement with our suppliers of major materials to obtain better solutions and prices. At the same time, where applicable, we also enter into strategic cooperation agreement with our major suppliers to ensure the stable supply of our key components.

Sustainable procurement

We conduct regular trainings of corporate social responsibilities for our suppliers while taking up our own social responsibilities and mission. To this end, we have developed relevant social responsibility management procedures and signed the corporate social responsibility agreement with our suppliers in respect of business ethics, working conditions, human rights, environmental and safety matters and so on. As a core member of the EV battery industry, we strive to work together with our industry partners to establish a healthy EV battery ecosystem.

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Major Suppliers

For the years ended December 31, 2019, 2020 and 2021, purchase from our top five suppliers was RMB2,311.4 million, RMB1,576.8 million and RMB5,366.5 million, respectively, accounted for approximately 66.3%, 45.3% and 46.7% of our total purchase amount for the corresponding period. During the same period, our purchase from our largest supplier amounted to RMB913.6 million, RMB634.0 million and RMB2,976.1 million, representing approximately 26.2%, 18.2% and 25.9% of our total purchase amount for the corresponding period. The following table sets out the purchase amount from our five largest suppliers during the Track Record Period and their respective profiles.

For the year ended December 31, 2021

Suppliers	Purchase (RMB'000)	As a percentage of total purchase amount for the corresponding period	Company background	Length of Relationship	Credit Term	Payment Method
Supplier A	2,976,105	25.9%	A company listed on the Shanghai Stock Exchange, mainly engaged in the R&D, production and sales of new energy materials including tungsten smelting products, tungsten powder, cemented carbide, tungsten and molybdenum wire	Four years	Payment within 30 or 60 days after billing	Wire transfer or bank acceptance bills or letter of credit
Supplier B	851,736	7.4%	A company listed on the Shenzhen Stock Exchange and mainly engaged in the research and development, and production of lithium battery structural parts and automobile structural parts	Four years	Payment within 90 days after billing	Bank acceptance bills
Supplier C	721,556	6.3%	A company listed on the Shanghai Stock Exchange, which is a supplier of comprehensive solution for laser and automated assembly	Three years	Advance payment: 20% Initial acceptance: 30% Acceptance: 40% Warranty: 10%	Wire transfer
Supplier D	436,681	3.8%	A company listed on the Shenzhen Stock Exchange and a high-tech enterprise specializing in the research and development and production of lithium battery anode materials, a manufacturer of magneto electric equipment and lithium battery anode materials	Four years	Payment within 60 days after billing	Bank acceptance bills
Supplier E	380,377	3.3%	A company listed on the Shenzhen Stock Exchange which is specialized in the research and development and production of Lithium-ion battery materials, daily chemical materials and special chemicals	Six years	Payment within 30 days after billing	Bank acceptance bills
Total	5,366,455	46.7%				

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For the year ended December 31, 2020

Suppliers	Purchase (RMB'000)	As a percentage of total purchase amount for the corresponding period	Company background	Length of Relationship	Credit Term	Payment Method
Supplier A	633,950	18.2%	A company listed on the Shanghai Stock Exchange, mainly engaged in the R&D, production and sales of new energy materials including tungsten smelting products, tungsten powder, cemented carbide, tungsten and molybdenum wire	Four years	Payment within 30 or 60 days after billing	Wire transfer or bank acceptance bills or letter of credit
Supplier B	308,956	8.9%	A company listed on the Shenzhen Stock Exchange and mainly engaged in the research and development, and production of lithium battery structural parts and automobile structural parts	Four years	Payment within 90 days after billing	Bank acceptance bills
Supplier F	274,707	7.9%	A wholly state-owned limited company established in Beijing, which is engaged in general contracting of construction projects and research and development, production and sales of environmental protection equipment and engineering machinery, computer software and hardware, construction materials, mechanical and electrical products, machinery and spare parts	Five years	Advance payment: 20% Initial acceptance: 40% Acceptance: 30% Warranty: 10%	Wire transfer or bank acceptance bills
Supplier G	234,257	6.7%	A company listed on Shanghai Stock Exchange, which is specialized in key materials and automated process equipment for lithium-ion batteries	Five years	Payment within 60 or 90 days after billing	Bank acceptance bills
Supplier H	124,956	3.6%	A company listed on the Shenzhen Stock Exchange, which is engaged in lithium battery intelligent equipment, fuel cell intelligent equipment, intelligent logistics system, etc.	Six years	Advance payment: 30% Payment on delivery after acceptance: 60% Warranty: 10%	Wire transfer
Total	<u>1,576,826</u>	<u>45.3%</u>				

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For the year ended December 31, 2019

Suppliers	Purchase (RMB'000)	As a percentage of total purchase amount for the corresponding period	Company background	Length of Relationship	Credit Term	Payment Method
Supplier F	913,616	26.2%	A wholly state-owned limited company established in Beijing, which is engaged in general contracting of construction projects and research and development, production and sales of environmental protection equipment and engineering machinery, computer software and hardware, construction materials, mechanical and electrical products, machinery and spare parts	Five years	Advance payment: 20% Initial acceptance: 40% Acceptance: 30% Warranty: 10%	Wire transfer or bank acceptance bills
Supplier A	620,950	17.8%	A company listed on the Shanghai Stock Exchange, mainly engaged in the R&D, production and sales of new energy materials including tungsten smelting products, tungsten powder, cemented carbide, tungsten and molybdenum wire	Four years	Payment within 30 or 60 days after billing	Wire transfer or bank acceptance bills or letters of credit
Supplier G	399,706	11.5%	A company listed on Shanghai Stock Exchange, which is specialized in key materials and automated process equipment for lithium-ion batteries	Five years	Payment within 60 or 90 days after billing	Bank acceptance bills
Supplier B	264,738	7.6%	A company listed on the Shenzhen Stock Exchange and mainly engaged in the research and development, and production of lithium battery structural parts and automobile structural parts	Four years	Payment within 90 days after billing	Bank acceptance bills
Supplier I	112,361	3.2%	A multinational group company listed on the Shanghai Stock Exchange and mainly engaged in high-tech new energy material industry, specializing in the research, development and operation of lithium battery cathode materials	Four years	Payment within 30 days after billing	Bank acceptance bills
Total	2,311,371	66.3%				

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Aside from Supplier F, a subsidiary of AVIC, which indirectly controls approximately 9.93% of our share capital upon completion of the [REDACTED], none of our Directors, their respective associates, or any of our current Shareholders who, to the best knowledge of our Directors, owns more than 5% of our share capital of the Company or any of our subsidiaries, has any interest in any of our five largest suppliers.

SALES AND MARKETING

We formulated detailed sales and marketing strategies with reference to our product types. Our products comprise EV batteries and ESS products and we have established corresponding detailed marketing strategies, customer strategies and product strategies according to different geographic areas and markets for each of EV batteries and ESS products.

Marketing

Our marketing strategies are based on our comprehensive research on the relevant market segment. We conduct research on future capacity of the relevant market segment, and analyze applicable market and policy opportunities and risks while taking into account the our strengths and weaknesses, to formulate market strategies and plans.

We have been able to generate significant media coverage of our brand and our products, and our principal marketing goals are to build brand awareness and loyalty. In respect of brand marketing, we undertake various targeted marketing activities to enhance the market awareness of our products and our brand recognition. Our typical marketing activities includes the following.

The image displays three blue rounded rectangular boxes, each containing a list of marketing activities. The boxes are arranged horizontally and are titled 'Self-Promotion', 'Exhibition and Forums', and 'Joint Promotion with Customers'.

- Self-Promotion**
 - We initiate and hold various conferences including global partner conferences, strategy release conferences, new technology release conferences, to present our strategies and plan to customers, suppliers, media and other relevant parties.
 - We also apply online marketing channels to promote our brand awareness and increase market attention.
- Exhibition and Forums**
 - We also participate in industry-related exhibitions and forums to promote our products to parties in the industry, including exhibition of products and arrangement for the delivery of keynote speeches at the relevant conferences.
- Joint Promotion with Customers**
 - We cooperate with key customers to carry out special promotion campaigns for relevant products and/or technologies. For instance, we collaborated with GAC Aion to promote our prismatic battery to exhibit the high safety features through nail penetration experiment.

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Customers Strategies

We closely collaborate and engage in active communication with our customers. We research and study their strategic planning in respect of product, technology, production and sales and customise our customer strategies according to their needs. We conduct a key account strategy as our major customer strategy. We work with our major customers to jointly formulate long-term cooperation plans, including planning guidelines on both parties’ technology, product and capacity. Once the planning guidelines are formulated, we and our major customers will carry out product development and capacity construction activities accordingly.

Pricing

Our ability to properly price our products is important to the results of our operations. We have an effective pricing strategy. We usually use cost-plus approach to price our products based on the costs involved in R&D, manufacturing and logistics and with reference to market prices. In addition to cost-plus approach, we also price our products based on other factors, such as long-term cooperation strategies. The pricing of our products will be regularly reviewed by the relevant departments. We strive to adjust our prices in time when the prices of battery components or raw materials fluctuate.

EV battery customers

EV battery is a core NEV component and accounts for a material portion of the NEV manufacturing cost. NEV manufacturers are actively seeking for high-quality EV battery suppliers with mass production experience, so as to ensure the competitiveness and stable supply of their NEVs. During the Track Record Period, our customers were mostly NEV manufacturers and we recorded exponential growth and became a main EV battery supplier to well-established NEV manufacturers.

Our products have been delivered in batch to the industry leading NEV manufacturers, especially with well-known domestic auto manufacturers, such as GAC Aion, Changan NEV, Virid E-mobility Technology (Ningbo) Co., Ltd. (威睿電動汽車技術(寧波)有限公司) (an affiliate of Geely Automobile Group Co., Ltd.), Leapmotor and Customer X, a NEV brand. During the Track Record Period, we provided our customers with VDA series battery, 590 series ternary battery and LFP battery products for various NEVs including passenger vehicles and commercial vehicles. Our products and brand are well recognized by our customers for their safety, reliability and quality. For example, our penetration rate to Aion series of GAC Aion has exceeded 70%; and we have become the lead battery supplier for Benben E-star, Edo EV460, CS15, CS55, UNI-K and other NEVs models of Changan NEV.

In 2020, we took the lead in mass production of 590 module battery in the world, which is installed on Aion-LX model designed by our major customer, GAC Aion. The Aion-LX model installed with our 590 module battery is able to reach a driving distance of more than 600km, becoming one of the first domestic SUV NEV model with a mileage that exceeds such distance. Our ternary battery pack products passed the nail penetration and heat diffusion test

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by which is a strong proof of our thermal safety technology. Our ternary battery packs passed the nail penetration test for fire protection, and thus relieve the safety concerns of NEV consumers. Our outstanding performance has been highly recognized by our customers and we have been continuously awarded with “New Energy Contribution Award” from Changan NEV and “New Energy Excellent Supplier” from Customer G. We have also passed the relevant supply review procedures of certain internationally well-known OEM.

According to Frost & Sullivan, it is customary for EV battery companies to engage in direct sales as opposed to selling to customers that resell their products. For each of the years and the period under Track Record Period, we derived no more than 5% of our revenue from sales to customers who we understand may resell our battery modules, and we engaged in such sales for commercial reasons. We have a buyer and seller relationship with such customers. Revenue from the sale of goods to such customers is recognized when control of the goods has transferred, being when the goods have shipped to the customer’s specific location (delivery). During the Track Record Period, there were four such customers, one of which is CALB USA, one of our connected persons. With the exception to product returns due to defects, products sold to such customers cannot be returned to us pursuant to the relevant contracts. For further details relating to our sales to CALB USA, please see “Connected Transactions – Partially-Exempt Continuing Connected Transaction – 4. Sales Framework Agreement”.

ESS Customers

We provide LFP battery modules, battery boxes and battery containers for power generation, grid, and user-side energy storage customers. During the Track Record Period, our main customers included well-known domestic power grid companies in China. According to Frost & Sullivan, in August 2020, we provided energy storage batteries to one of the then largest lithium-ion battery ESS projects in the world. At the same time, we have provided photovoltaic + energy storage solutions and technical support for multiple energy storage projects, and we have undertaken our due corporate mission in order to fully implement the “carbon peak and carbon neutral” strategic goals.

Major Customers

During the Track Record Period, our customers were mainly from the PRC. For the years ended December 31, 2019, 2020 and 2021, we generated revenue of RMB1,398.5 million, RMB2,352.8 million and RMB5,647.0 million, from our five largest customers, accounting for 80.7%, 83.2% and 82.9% of our total revenue for the corresponding period, respectively. For the same periods, our revenue from the largest customer amounted to RMB686.4 million, RMB1,557.5 million and RMB3,537.1 million, accounting for 39.6%, 55.1% and 51.9% of our total revenue for the corresponding period, respectively. The following table sets forth details of our five largest customers for the years indicated.

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For the year ended December 31, 2021

Customer	Revenue contribution (RMB'000)	Percentage of total revenue for the corresponding period	Company background	Length of relationship	Credit Term	Payment Method
Customer G	3,537,094	51.9%	A dual-listed company on the Stock Exchange and the Shanghai Stock Exchange, specializing in the manufacturing and sales of passenger vehicles and commercial vehicles.	Three years	Payment in advance: 50% Payment within 15 days on receipt of goods: 50%	Wire transfer
Customer C	946,661	13.9%	A listed company on the Shenzhen Stock Exchange, specializing in the production of passenger vehicles, minivans, commercial vans and light trucks.	Three years	Payment within 60 days after billing	Bank acceptance bills
Customer X	537,931	7.9%	A dual-listed company on the Stock Exchange and the New York Stock Exchange, specializing in the design, manufacturing and sales of NEVs.	One year	Payment within 30 days after billing	Wire transfer or bank acceptance bills
Customer M	333,737	4.9%	A limited liability company engaged in power system assembly, motor and gearbox power system, control system, energy storage battery and system, vehicle battery and BMS.	One year	Payment within 60 days after billing	Bank acceptance bills
Customer L	291,580	4.3%	A limited liability company engaged in design, production and sales of NEVs and automotive components.	One year	Payment in advance: 50% Payment on delivery: 50%	Wire transfer or bank acceptance bills
Total	<u>5,647,003</u>	<u>82.9%</u>				

BUSINESS

For the year ended December 31, 2020

Customer	Revenue contribution (RMB'000)	Percentage of total revenue for the corresponding period	Company background	Length of relationship	Credit Term	Payment Method
Customer G	1,557,502	55.1%	A dual-listed company on the Stock Exchange and the Shanghai Stock Exchange, specializing in the manufacturing and sales of passenger vehicles and commercial vehicles.	Three years	Payment in advance: 50% Payment within 15 days on receipt of goods: 50%	Wire transfer
Customer C	582,762	20.6%	A listed company on the Shenzhen Stock Exchange, specializing in the production of passenger vehicles, minivans, commercial vans and light trucks.	Three years	Payment within 60 days after billing	Bank acceptance bills
Customer O	86,008	3.0%	A limited liability company specializing in the production and sale of passenger vehicles and commercial vehicles.	Three years	Payment within 45 days after receipt of invoice	Bank acceptance bills
Customer P	78,678	2.8%	A limited liability company specializing in the distribution of lithium-ion batteries.	Two years	100% prepayment	Wire transfer
Customer Q	47,817	1.7%	A company listed on the Shanghai Stock Exchange, mainly engaged in the production and sales of commercial vehicles.	Five years	Payment within 60 days after billing	Wire transfer or bank acceptance bills
Total	<u>2,352,767</u>	<u>83.2%</u>				

BUSINESS

For the year ended December 31, 2019

Customer	Revenue contribution (RMB'000)	Percentage of total revenue for the corresponding period	Company background	Length of relationship	Credit Term	Payment Method
Customer C	686,371	39.6%	A listed company on the Shenzhen Stock Exchange, specializing in the production of passenger vehicles, minivans, commercial vans and light trucks.	Three years	Payment within 60 days after billing	Bank acceptance bills
Customer G	461,189	26.6%	A dual-listed company on the Stock Exchange and the Shanghai Stock Exchange, specializing in the manufacturing and sales of passenger vehicles and commercial vehicles.	Three years	Payment in advance: 50% Payment within 15 days on receipt of goods: 50%	Wire transfer
Luoyang Company ⁽¹⁾	117,392	6.8%	A limited liability company engaged in the research, production, sales and market application development of lithium-ion EV batteries, battery management systems (BMS), energy storage batteries and related integrated products and lithium battery-related materials.	Three years	Payment on a quarterly basis	Wire transfer
Customer S	71,161	4.1%	A limited liability company specializing in the production of high-voltage, extra-high voltage and ultra-high voltage switchgears.	Three years	Payment in advance: 5% Payment on delivery: 80% Warranty payment in 365 days after delivery: 15%	Bank acceptance bills
Customer T	62,394	3.6%	A company listed on the Shanghai Stock Exchange, specializing in the R&D, manufacturing and sales of automobiles, engines and related accessories.	Two years	Payment within 60 days after receipt of invoice	Bank acceptance bills
Total	1,398,507	80.7%				

Note (1): Prior to our acquisition of Luoyang Company, a connected person of our Company in 2019, we sold a batch of battery materials to it, thus resulting in it being one of our top five customers for 2019.

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Aside from Luoyang Company, none of our Directors, their respective close associates, or any of our current Shareholders who, to the best knowledge of our Directors, owns more than 5% of our share capital or of any of our subsidiaries, has any interest in any of our five largest customers.

Customer Concentration

For the years ended December 31, 2019, 2020 and 2021, our five largest customers accounted for approximately 80.7%, 83.2% and 82.9% of our total revenue, respectively. Customer G accounted for RMB461.2 million, RMB1,557.5 million and RMB3,537.1 million of our total revenue, respectively, during the same period, accounting for approximately 26.6%, 55.1% and 51.9% of our total revenue, respectively, while Customer C accounted for RMB686.4 million, RMB582.8 million and RMB946.7 million, representing approximately 39.6%, 20.6% and 13.9% of our revenue, respectively. The decrease in the percentage of revenue contributed by Customer C was primarily due to the increase in our revenue and introduction of new customers.

Our directors are of the view that despite the concentration of revenue from Customer G and Customer C, our Group’s business model is sustainable as our relationship with the relevant customers is unlikely to experience a material adverse change or termination and we will be able to effectively reduce the impact to our business in the event of any material adverse change or termination of our business relationship with Customer G or Customer C based on the following reasons.

1. Customer Loyalty

We work closely with Customer G and Customer C to research and design new products. During the Track Record Period, we collaborated to cooperate and grow together with the leading and scaled NEV manufacturer, including Customer X and Customer L, both are well-known NEV brands. The sales size of the relevant customers enabled us to benefit more under comparable investment. In addition, we collaborated with leading NEV manufacturers with NEVs by supplying quality products to these customers, we reinforced the reputation of such NEV manufacturers’ products and contributes to the demand for their products, and at the same time, this also creates a collaborative cycle between us and our customers. Moreover, we benefit from the efficiency that results from close collaboration with a major customer as we better understand their needs and manage to achieve desired results more efficiently and more cost-effectively. Through a long and successful collaboration, we became the major EV battery supplier to the two customers.

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2. Considerable Costs to Change EV Battery Suppliers

EV batteries are the core components of NEVs, but according to Frost & Sullivan, there are only a limited number of large-scale EV battery suppliers with technical capabilities to meet the needs of NEVs manufacturers. Therefore, the relationship between NEVs manufacturers and EV battery suppliers is generally stable. NEV manufacturers generally do not change their EV battery suppliers for a particular NEV model for the following reasons: (i) NEVs manufacturers and EV battery suppliers both contribute considerable amount of investment, time and workforce to design EV batteries for designated NEVs models; and (ii) based on the above, it takes a considerable amount of time and cost to replace the EV battery supplier, and there is no guarantee that another EV battery supplier can replace our products in time or at all. We work closely with Customer G and Customer C, who according to Frost & Sullivan are the leading brands in the NEVs market. According to Frost & Sullivan, our penetration rate to these customers increased during the Track Record Period. We started supplying products to Customer G in 2019. During the Track Record Period, the number of NEV models we supply to Customer G has grown to seven models. As for Customer C, the number of NEV models we supplied to Customer C increased to five. In addition, we were awarded the “New Energy Contribution Award” by Customer C from 2018 to 2020, and we were the only EV battery manufacturer to be awarded the “New Energy Excellent Supplier” award by Customer G for the year ended December 31, 2021. We believe these awards are the recognition of our performance and business practices. We believe that Customer G, Customer C and our Company will all benefit from our cooperation. This is a testament to our deepening relationship with these key customers and their trust in our products and technical capabilities.

For the above reasons, our directors believe that the two customers regard us as their important business partners, and we have established a long-term strategic relationship with them, which will achieve a win-win situation. Therefore, our directors believe that it is a sensible business practice for the two customers to continue to order our products, and the probability of our termination of the partnership with the two customers is low.

3. Customer diversification and ability to develop new customers

Our directors believe that we have made considerable efforts to seek business opportunities with new customers and these efforts have paid off during the Track Record Period. With our track record and strong technical capabilities, we believe we can secure significant orders and generate recurring revenue from new customers with growth potential in our respective industries. At the same time, we will continue to expand our customer base by strengthening our reputation and establishing initial contacts with potential customers. For example, in 2021, we established business relationships with NEV “new force” (representing Chinese NEV start-ups) brands in the market, including Customer X (according to Frost & Sullivan, ranking first among emerging NEV enterprises in terms of total delivery volume in China in 2021) and Customer L (according to Frost & Sullivan, ranking sixth among emerging NEV enterprises in terms of total delivery volume in China in 2021), which have installed our EV batteries in certain models of NEVs. We are also looking to reach out to other NEV manufacturers in the market.

In addition, according to Frost & Sullivan, the supply of EV batteries in the NEV market has been tight recently, particularly the demand for high-quality EV battery products. Therefore, our Directors believe that we will have no major difficulty in acquiring new customers for EV batteries.

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Sales Contract

We enter into long-term sales agreement, sales agreement or online purchase order with our customers.

Our sales agreements with customers contain similar terms, although the specific content varies, it usually includes the following key terms:

- **Inspection.** Since our business also involves the development of products and technologies for customers, we usually set relevant technical standard clauses in the sales contract. According to such clauses, we officially produce and sell our products after the customer checks and confirms that the product development technology is satisfactory.
- **Price.** We specify the price of each product and service provided to customers in the framework sales contract, including product price, development cost, trial production cost, test cost, production line construction cost, etc..
- **Joint development.** For customers that we provide product development and customization services, we assign from time to time a number of researchers with qualifications that meet the customer's requirements to the work location designated by the customer to jointly engage in product development at the research stage. Our researchers should strictly abide by the confidentiality obligations stipulated by customers.
- **Confidentiality.** We usually set confidentiality clauses in the framework sales contracts with customers, and the period of confidentiality obligations may be extended to five years after the expiration of the sales contract.
- **Ownership of intellectual property rights.** We usually require matters related to the ownership of intellectual property rights. Generally, the new intellectual property rights and related rights and interests completed independently by the each of the two parties belong to themselves respectively, and the new intellectual property rights and related rights and interests jointly developed by both parties shall be shared by both parties.
- **Payment term.** Due to different payment practices in different sales areas, our payment terms vary in the sales agreements.
- **Delivery term.** We are usually responsible for delivering the goods to the domestic delivery location designated by the customers, and bear the risks in the delivery process. The fee of overseas transportation depends on the specified time and the destination country.
- **Warranty period.** We usually provide customers with a warranty period in accordance with applicable regulations.

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In addition to sales agreement, we may also strategically enter into long-term agreement with our customers generally for the purpose of jointly develop products in accordance with our customer’s evolving needs. Our long-term agreement contains similar terms as that of the sales agreement as stated above, although each of the long-term agreement varies. We usually include terms regarding placing purchase order, delivery, inspection, price and payment, ownership of the intellectually property rights and assets used in the process of joint development, warranty, force majeure, termination, dispute resolution in our long-term customer agreement.

After-sale Services

We believe that timely and quality after-sale services are one of the important competitive factors, as they are directly related to customer satisfaction and help shape the customer’s purchase decisions. Our after-sale services include repair, return and exchange of defective products. The services are delivered on site or by returning the defective products back to our production base. We allow product return for quality issues to maintain the reputation of our brand and the quality of products we provide to our customers. In addition to requests raised by our customers in relation to product return, exchange or repair of defective products, our customer service team also conducts customer satisfaction evaluation on a regular basis by collecting and analyzing information from our customers in respective of their satisfaction towards our services and products. Such information is used as a reference for us to improve our products and services provide to our customers, which in turn enables us to build a solid and mutually-trusting relationship with our customers.

Competition

The China EV battery market is highly competitive and concentrated and we expect that the competition will be even more competitive in the future. According to Frost & Sullivan, top three EV battery manufacturers accounted for 74.2% of the total EV battery installed capacity in the PRC in 2021. We generally compete with other scaled EV battery manufacturers. We believe the primary competitive factors in our markets are: product safety, technological innovation, product price and performance, mass production capabilities, customer service and support and corporate reputation. We believe that positive factors pertaining to our competitive position include innovative technologies, precise consumer targeting and product defining capabilities.

To distinguish ourselves from our competitors, we have been dedicated to the improvement of product safety and optimization of technology innovation with strategies in cooperation with our major customers. Such approach enables our R&D capabilities and speed of innovation, as well as unique capabilities to tailor make our EV batteries to cater to the evolving needs of our major customers. With our leading technology in product safety and quality, we continue to bring innovations in EV battery manufacturing, and deliver differentiated and highly safety products, which position us favorably in the competitive environment.

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WAREHOUSING, LOGISTICS AND INVENTORY MANAGEMENT

We have a complete operation and management system that originates from customer needs. Our supply chain is coordinated to achieve synergy and allocation of resources amongst order placement, procurement management, product manufacturing, shipping and other processes. We have also adopted digitized management system that runs through the whole supply and delivery chain to ensure the efficient operation. At the same time, we use highly efficient smart logistics system and data system to improve operation efficiency, precise management, and achieve optimal inventory turnover efficiency.

Our well-adopted warehousing and distribution system, as supported by a smart management system, allows us to continue to timely deliver our products while managing our rapidly growing operating scale.

Warehousing

We use an information platform that integrates smart logistics systems and smart manufacturing production lines. We integrate our logistics systems with automated logistics equipment. Meanwhile, we use an industry-leading three-dimensional warehouse in the logistics field for fire protection, effectively guaranteeing the storage safety of our products. We have achieved:

- efficient coordination among warehousing, delivery and production requirements;
- a high degree of automation in the entire logistics process;
- smart monitoring and controlling of the quality status, storage environment, precise traceability and operation process of materials and finished products.

Inventory control

We implement a lean management and control model for the entire delivery chain, and formulated optimal work in progress inventory standards on rolling basis based on production line capabilities and customer needs. At the same time, with the help of the SAP information management system and data-based reporting platform, we apply scientific value stream mapping analysis method to find bottleneck points. We strive to achieve dynamic monitoring and precise management of the entire process of raw material procurement, production and work in process, finished product inventory and product shipment.

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Transportation and packaging	We have an established product shipping management mechanism that covers the entire product delivery process. Driven by customer order requirements, our information system connects inventory information at various check points, and uses the Transport Management System to monitor the actual logistics delivery process in real time to achieve reliable, safe and timely delivery of products to customers. We also independently developed recyclable packaging with reliable quality and high operating efficiency, covering all types of products to be delivered, and allowing precise and efficient delivery.
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INFORMATION TECHNOLOGY SYSTEMS

We believe that automation and information technology are essential to maintain our competitive position. We utilize a number of information technology systems to manage all aspects of our operations, including but not limited to sales management, material procurement, production, quality control, inventory management, financial reporting and human resources. The following information technology systems are the most critical to our business among our collective integrated information systems:

Name of the IT System	Description of Functions
SAP System	We utilize the SAP system to conduct in-depth analysis of operations and enhance information exchange among different departments to streamline our back-office management. The system covers most aspects of our operations, including procurement, manufacturing, sales, financial reporting and human resources. The system helps retrieve and analyze our operation data to achieve more efficient decision-making and enhance productivity.
MES System	We utilize the manufacturing execution system in our production process to improve production efficiency of our manufacturing facilities. The system helps to record the production progress of each production line on a real-time basis and transit the production data to the database to ensure the efficient monitoring of the manufacturing process. The data collected by the MES system during manufacturing process can be integrated with our SAP system for further integration, analysis and reporting.

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Name of the IT System	Description of Functions
PLM system	We use the PLM system to provide a comprehensive and unified R&D collaborative management platform for R&D design, processing plan and technical documentation. Through the PLM platform, we build a standardized and well-regulated product database and an online design specification system for promoting the implementation of project process in the R&D management system, so as to improve the project management capability, product R&D capability and efficiency. As a result, we achieved the integration of information technology, product R&D technology and management technology.
SRM system	We build the SRM system to improve the synergy efficiency between internal and external resources in the supply chain. The system enables performance visualization, traceable process, and risk controllable management. It also builds a full life cycle management system for suppliers, including all links from planning, orders, logistics, after-sales to financial settlement, realizing the traceable management of the entire procurement business process.
Tracing platform	Our tracing platform meets customized storage requirements and independent tracing needs of customers. This platform contains battery production information, by which the battery can be recorded, trackable, searchable, controllable, and recallable, enabling the customers no longer to be confined to passive acceptance.
Big data platform	We have established a big data platform to aggregate, analyze and archive the business system data through various big data tools. The platform provides multi-dimensional query reports for operational decisions, visual data support for on-site production guidance, and long-term product data storage requirements for customers and legal requirements.

The capabilities and the stability of our IT infrastructure are vital to our business operations. The IT department performs system checks, data back-ups, system maintenance and other activities to secure the continual operation of the critical IT systems and facilities. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material failure or general breakdown of our IT systems which had resulted in a material adverse impact on our overall business operations.

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EMPLOYEES

We attract, select, cultivate and motivate all kinds of talents who share our mission. We provide a platform with fast development channels for our employees. As of December 31, 2021, we have 3,222 full-time employees. The table below sets out the number of employees by function as of December 31, 2021.

Employees Categorized by Function	Number of Employees	Percentage of Employees
Manufacturing and operating staff	1,528	47.4%
R&D technicians	1,435	44.5%
Administrative staff	132	4.1%
Marketing staff	72	2.2%
Financial staff	55	1.7%
Total	3,222	100%

We abide by the relevant PRC laws and regulations and provide employees with an open, fair and transparent working environment. For details, please see “Risk Factors – Risks Relating to Our Industry and Business – Some employees may have disputes with us over social insurance and housing provident fund.” We respect and cultivate our employees and provide a development platform for willing and competent employee. Our employees are protected by the PRC laws and regulations at work. We have established a labor union to protect the legal rights of all employees and encourage employees to participate in management decision-making process. We believe that our management policies, work environment, and employee development opportunities and benefits contribute to a good employee relations. We respect and respond to employees’ suggestions and we believe that we have harmonious relationships with our employees. During the Track Record Period and up to the Latest Practicable Date, we did not experience any strikes or major labor disputes.

Recruiting

Based on our strategic development plan, we formulate personnel planning and recruitment plan, reserve talents in advance, and build a talent pool. We have developed detailed policies governing our recruitment process. In the course of recruitment process, we identify the talents most suitable for our development needs through multiple channels, mainly including internal referrals, online recruitment, campus recruitment and local job fairs. For internal referrals, we have formulated the “Talent Scout Plan for All Staff (全員伯樂計劃)”. We enter into standard employment contracts and confidentiality agreements with our employees. We also enter into non-competition agreement with our key employees.

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Remuneration and Benefits

We believe in providing our employees with attractive remuneration packages and a dynamic work environment that can motivate our employees to grow rapidly and create value. We offer employees attractive salaries, performance-based bonuses and equity-based incentives. As required by laws and regulations in the PRC, we participate in various government statutory employee benefit plans, including social insurance funds, namely, medical insurance, workplace injury insurance, maternity insurance, unemployment insurance, pension benefits and housing provident fund.

Training

We focus on the career development of all employees. We have established a systematic training management system providing corresponding training programs specialized for the needs and requirements of different employees. We have formulated fast track development programs, including newbies training program, fresh graduates training program, the Yunyan program (雲雁計劃), Lixiang lectures (鋸想大講堂) and other programs, for new employees, fresh graduates and first-line production employees to develop their job-related skills and knowledge. The training programs include company-level training programs, departmental-level training programs and position-level training programs. Company-level training programs focuses on training in corporate culture, business operations, organization structure, management systems and requirements, quality awareness, and safety awareness. Departmental-level training programs focuses on training in the structure, responsibilities, performance goals and major job duties of the department. Position-level training programs focuses on training in job responsibilities and skills required for the position. Our new first-line production employees are required to complete the training before obtaining a license to operate the production facilities on their own. Our employees will be required to provide evaluation feedback after the training, which we believe will assist us to improve and provide better quality training programs.

AWARDS AND HONORS

Over the years, we have received awards and recognitions from various certification organizations and undertaken a number of scientific research projects at national and provincial level.

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Enterprise honors and qualifications ^(Note)

No.	Award/Certificate	Awarding Organization	Year
National Enterprise Honorary Qualifications			
1	High-tech Enterprise (China Lithium Battery Technology Co., Ltd.) (高新技術企業(中創新航科技股份有限公司)) and CALB Technology Co., Ltd.* (中創新航技術研究院(江蘇)有限公司)	Jiangsu Provincial Science and Technology Department, Jiangsu Provincial Department of Finance, Jiangsu Provincial Taxation Bureau of the SAT	2018
2	CNAS Accreditation Certificate (Experimental Center of China Lithium Battery Technology Co., Ltd.) (CNAS認可證書(中航鋰電科技有限公司實驗中心))	China National Accreditation Service for Conformity Assessment	2020
Provincial Enterprise Honorary Qualifications			
3	Independent R&D Institutions of Leading Enterprises of Jiangsu Province (江蘇省龍頭骨幹企業獨立研發機構)	Jiangsu Provincial Science and Technology Department	2017
4	Postgraduate Workstations of Jiangsu Province (江蘇省研究生工作站)	Jiangsu Education Department, Jiangsu Provincial Science and Technology Department	2017
5	Jiangsu Engineering Research Center for Lithium-ion EV Batteries with High Specific Energy (江蘇省高比能鋰離子動力電池工程研究中心)	Jiangsu Provincial Development and Reform Commission	2019
6	Jiangsu Provincial Power and Energy Storage Battery Engineering Technology Research Center (江蘇省動力及儲能電池工程技術研究中心)	Jiangsu Provincial Science and Technology Department	2020
7	Jiangsu Provincial Enterprise Technology Center (江蘇省企業技術中心)	Jiangsu Provincial Industry and Information Technology Department	2020
8	Jiangsu Provincial Postdoctoral Innovation Practice Base (江蘇省博士後創新實踐基地)	Jiangsu Provincial Human Resources and Social Security Bureau	2021

Note: The following list excludes the awards/certificates obtained by Luoyang Company (i) prior to it becoming our subsidiary and (ii) after it ceased to be a subsidiary of our Company.

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No.	Award/Certificate	Awarding Organization	Year
9	Unicorn Enterprise in Southern Jiangsu National Independent Innovation Demonstration Zone (蘇南國家自主創新示範區獨角獸企業)	Jiangsu Productivity Promotion Center	2020
10	Jiangsu Provincial Unicorn Enterprise (江蘇省獨角獸企業)	Jiangsu Productivity Promotion Center	2021
11	Jiangsu Provincial Green Factory (江蘇省綠色工廠)	Jiangsu Provincial Industry and Information Technology Department	2020
12	Jiangsu Provincial Model Smart Workshop (Lithium-ion Power System Integration Workshop) (江蘇省示範智能車間(鋰離子電源系統集成車間))	Jiangsu Provincial Industry and Information Technology Department	2018
13	Jiangsu Provincial Model Smart Workshop (High-performance EV Battery Assembly Workshop) (江蘇省示範智能車間(高性能動力電池裝配車間))	Jiangsu Provincial Industry and Information Technology Department	2020
14	Five-star Cloud Companies in Jiangsu Province (江蘇省五星級上雲企業)	Jiangsu Provincial Industry and Information Technology Department	2018
15	Fujian Provincial Leading Industrial Cultivation Enterprise (福建省工業龍頭培育企業)	Fujian Provincial Industry and Information Technology Department	2021
16	Henan Provincial Smart Factory (河南省智能工廠)	Henan Provincial Industry and Information Technology Department	2019

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Product Honorary Qualifications

No.	Award/Certificate	Awarding Organization	Year
1	Certificate of Honor of Jiangsu Provincial Innovative Technology and Products (High Energy Density L221 Battery) (江蘇省創新技術和產品榮譽證書(高能量密度L221型電池))	Jiangsu Provincial Automobile Industry Office	2019
2	Certificate of Honor of Jiangsu Provincial Excellent Innovative Technology and Products (Ultra-low Temperature and High Specific Power L148N20 Battery) (江蘇省優秀創新技術和產品榮譽證書(超低溫高比功率L148N20電池))	Jiangsu Provincial Automobile Industry Office	2019
3	Jiangsu Provincial Excellent Innovative Technology and Products (Ultra-low Temperature and High Specific Power L148N20 Battery) (江蘇省優秀創新技術和產品(超低溫高比功率L148N20電池))	Jiangsu Provincial Automobile Industry Office	2019
4	Jiangsu Provincial Excellent Innovative Technology and Products (High-end Long-Life Energy L221N169 Battery) (江蘇省優秀創新技術和產品(高端長壽命能量型L221N169電池))	Jiangsu Provincial Automobile Industry Office	2020
5	Jiangsu Provincial Excellent Innovative Technology and Products (High Safety and Fast-charging L152F132 Battery) (江蘇省優秀創新技術和產品(高安全兼顧快充型L152F132電池))	Jiangsu Provincial Automobile Industry Office	2020

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Projects Description

No.	Project Category	Project Name	Year
National Projects			
1	National Key R&D Program of China (中國國家重點研發計劃)	Technical Development of Design and Management and Control for Highly Reliable Sulfur-based Energy Storage Battery System (高可靠硫基儲能電池系統設計與管控技術開發)	2021
2	Intelligent Manufacturing New Model Application Project (智能製造新模式應用項目)	Intelligent Production Line of Lithium Battery and Power System for High-performance Vehicles (高性能車用鋰電池及電源系統智能生產線)	2015
Provincial Projects			
3	Key Construction Projects in Henan Province (河南省重點建設項目)	Smart Factory Project of China Lithium Battery (中航鋰電智能工廠項目)	2021
4	Jiangsu Science and Technology Plan – Industry Foresight and Common Key Technologies (江蘇省科技計劃–產業前瞻與共性關鍵技術)	R&D of Ultra Low Temperature and High Specific Power Lithium-ion Battery for Automotive 48V System (汽車48V系統用超低溫高比功率鋰離子電池研製開發)	2017
5	Key R&D Plans of Jiangsu Province (江蘇省重點研發計劃)	R&D of High Safety and High Energy Density Solid-State EV Batteries (高安全高能量密度固態鋰電池的研發)	2019
6	Jiangsu Provincial Industrial and Information Industry Transformation and Upgrading Special Fund (江蘇省工業和信息產業轉型升級專項資金)	Full-climate, High-safety and Long-life EV Battery and Battery System (全氣候高安全長壽命動力電池及電池系統)	2021
7	Special Fund for the Development of Strategic and Emerging Industries in Jiangsu Province (江蘇省戰略性新興產業發展專項資金)	China Lithium Battery Pilot Plant Phase II Project – High Specific Energy Stackable Tabless and Non-fire Battery Module (中航鋰電中試基地二期項目-高比能疊式全極耳不起火電池模組)	2021
8	Basic Research Program of Jiangsu Province – Natural Science Youth Fund (江蘇省基礎研究計劃 – 自然科學青年基金)	Research on the Construction, Preparation and Performance of Porous Carbon/Sulfur Composite Materials for High-Performance Lithium-Sulfur Batteries (高性能鋰硫電池用多孔碳/硫合、複合材料的構築、製備與性能研究)	2018

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No.	Project Category	Project Name	Year
9	Basic Research Program of Jiangsu Province – Natural Science Youth Fund (江蘇省基礎研究計劃 – 自然科學青年基金)	Preparation of Three-dimensional Macroporous PDMS Ion Imprinted Composite Membrane and the Research on the Action Mechanism of its Selective Separation of Palladium Ion (三維大孔PDMS離子印跡複合膜的製備及其選擇性分離鈀離子的行為機理研究)	2018
10	Basic Research Program of Jiangsu Province – Natural Science Youth Fund (江蘇省基礎研究計劃 – 自然科學青年基金)	Research on the Application of Finite Element Simulation Technology in the Development of Lithium-ion EV Batteries (有限元仿真技術在鋰離子動力電池開發中的應用研究)	2018
11	Basic Research Program of Jiangsu Province – Natural Science Youth Fund (江蘇省基礎研究計劃 – 自然科學青年基金)	In-situ Preparation of Lithium Monoion Polymer Electrolyte (原位法製備鋰單離子聚合物電解質)	2020
12	Talents in Jiangsu Province's Innovation and Entrepreneurship Initiative (江蘇省雙創人才)	R&D of Ultra Low Temperature and High Specific Power Lithium-ion Battery for Automotive 48V System (汽車48V系統用超低溫高比功率鋰離子電池研製開發)	2018
13	Doctors in Jiangsu Province's Innovation and Entrepreneurship Initiative (江蘇省雙創博士)	Development of High Safety Power Lithium Ion EV Batteries for PHEV (PHEV用高安全功率型鋰離子動力電池開發)	2018
14	Doctors in Jiangsu Province's Innovation and Entrepreneurship Initiative (江蘇省雙創博士)	R&D of Silicon-based Composite Anode System Binder (矽基複合負極體系黏結劑的研製開發)	2018
15	Talents in Jiangsu Province's Innovation and Entrepreneurship Initiative (江蘇省雙創人才)	Lithium-sulfur Battery (鋰硫電池)	2020
16	Talents in Jiangsu Province's Innovation and Entrepreneurship Initiative (江蘇省雙創人才)	High Safety and High Energy Density Solid-State EV Batteries (高安全高能量密度固態鋰電池)	2020

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We are also members of the following associations:

Association	Title	Year
Jiangsu Power and Energy Storage Battery Industry Innovation Alliance (江蘇省動力及儲能電池產業創新聯盟)	director	2019
Working Group on Standard Research of EV Batteries for Electric Vehicles (Standardization Institute of China Automotive Research and Technology Center) (電動汽車用動力蓄電池標準研究工作組(中國汽車研究技術中心標準化所))	member	2021

At the same time, we received the following awards that were granted by our customers:

Award	Company	Year
“Development Award”	Customer L	2021
“New Energy Excellent Supplier”	Customer G	2021
“New Energy Contribution Award”	Changan NEV	2018-2020

PROPERTIES

Owned properties

Land

As of December 31, 2021, we held the land use rights of 19 parcels of land in the PRC with a site area of 2,190,619.47 sq.m., all real estate ownership certificates regarding the aforesaid 19 parcels of land have been obtained.

Buildings

As of December 31, 2021, we held 71 buildings in the PRC with a total GFA of 544,045.07 sq.m., which were used for daily production and operation. Among them, property ownership certificates have been obtained for 60 buildings with a total GFA of 431,461.82 sq.m..

The remaining 11 buildings are in the process of applying for real estate ownership certificates, with a total GFA of 112,583.25 sq.m.. These buildings that are in the process of applying for property certificates are located on the site of the “Jiangsu Phase 2.1 Project” and are used for plant, warehouse and boiler room, etc.. “Jiangsu Phase 2.1 Project” has completed the relevant procedures for project construction and is currently undergoing completion acceptance. Our PRC Legal Advisor is of the view that we have obtained all the necessary

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approvals and permits for the construction of the above mentioned 11 buildings in accordance with the construction progress, and there is no substantial legal impediment is expected for us to obtain the relevant real estate ownership certificates upon the completion and acceptance.

Leased properties

Buildings

As of December 31, 2021, our Group had signed 32 property lease agreements in the PRC in respect of 722 leased units/buildings with a total area of 90,058.71 sq.m, which were used for production and operation, storage and staff quarters.

As of December 31, 2021, eight of the above-mentioned lease agreements in respect of 175 units of lease properties did not have any property ownership certificate or were in the process of obtaining the building ownership certificate. As advised by our PRC Legal Advisor, if the lessor of the above-mentioned leased property has a defect in the rights of the leased property, which causes losses to us, we can request the lessor to be liable for such losses. Moreover, as the aforesaid buildings are mainly used for non-production and non-operating purposes such as staff dormitories, if the leased properties cannot be continued to lease to us due to defects in the rights of the leased properties, we can promptly find alternative premises, this will not have material adverse impact on our production and operation.

As of December 31, 2021, 28 of the above-mentioned lease agreements have not been registered and filed with the relevant PRC authorities. Our PRC Legal Advisor is of the view that the non-registration and filing of the relevant property lease will not affect the validity of the lease contracts and the legal use of the leased properties, but relevant local housing authorities may require us to complete the filing within the prescribed period and we may be subject to penalties of RMB1,000 to RMB10,000 as a result of delay in filing for each of such properties. Accordingly, we believe that the failure to register these lease agreements will not have any material adverse effect on our operations and financial position.

As December 31, 2021, we were not subject to any material claims arising from or in respect of any defect in our leasehold interest in any of our leased properties.

We do not have any property interest with a carrying amount of 15% or more of our consolidated total assets as of December 31, 2021. Therefore, according to Chapter 5 of the Listing Rules and section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this document is exempted from compliance with the requirements of section 38(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which requires a valuation report with respect to all of our Group's interests in buildings.

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RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

We are committed to establishing and maintaining risk management and internal control systems. We have adopted and implemented a comprehensive risk management policy encompassing risks that may arise in R&D, procurement management, production management, sales management, and the construction of new projects. Our risk management and internal control systems also cover the general functional operations such as human resources, financial management, asset management, warehousing and logistics management, information system management and corporate governance as well as decision-making processes. Meanwhile, we are committed to supervising and evaluating the effectiveness of risk management and internal control system to ensure that the system is rectified and effectively controlled as our business develops.

We have established a professional internal control team, which is responsible for establishing risk management and internal control systems, conducting internal audit and providing internal control consultation. As of December 31, 2021, the members of our internal control management team have an average of more than five years of relevant work experience, and hold relevant professional certificates.

We pursue a zero-tolerance policy towards bribery, corruption, extortion and embezzlement. We have adopted an “Employee Code of Conduct” that contains relevant requirements for confidentiality, integrity, conflicts of interest and other guidelines on the code of behaviors. We also provide our employees with education in respect of anti-bribery and anti-corruption through various channels such as integrity training at the same time publicizing the integrity regulations to our suppliers and entering into the “Anti-bribery Undertaking Agreement” with suppliers. We have put in place a whistle-blowing channel where external suppliers, employees and other relevant parties can file complaint or report violation acts.

To ensure the quality, efficiency, compliance and transparency of bidding and procurement of new projects, we have set up a team of bidding evaluation experts covering professional technology and economics to participate in the selection of suppliers in the bidding and procurement process. At the same time, we have established a supervision mechanism for the bidding and procurement process, supervised by internal control team to impose control on compliance in the process of reviewing potential candidates’ qualifications and bidding document and in the tender process, providing consulting services to business activities on bidding and procurement risks.

Insurance

As of the Latest Practicable Date, we believe that our insurance coverage is in line with the industry practice and adequate to cover our key assets, facilities and liabilities, including but not limited to property all risks insurance, machinery damage insurance, construction and engineering all risks insurance, domestic cargo transportation appointment insurance, import and export cargo transportation appointment insurance, employer liability insurance and public liability insurance. We procured insurance policies by type and amount that we consider

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sufficient, and evaluated such insurance policies from time to time based on our past experience, changes in production and industry developments. We are committed to minimizing the risks of product liability claims, warranty claims and product recalls through stringent quality control. In addition, in the event that one or more of our suppliers is determined to be liable (in whole or in part), we will assess the compensation or contributions sought from the relevant suppliers (if applicable) in accordance with the terms and conditions of the supply contracts entered into with the relevant suppliers, taking into account various commercial considerations, including but not limited to the amount sought, the financial ability of the relevant supplier and the risk of interruption in the supply of our products and our customers as a result of claims for compensation or contributions that may be made by us. Please see “Risk Factors – We may be subject to risks associated with EV batteries and we may not have adequate insurance to cover against such claims. At the same time, we may not be able to obtain/purchase adequate insurance for losses and liabilities arising from various operational risks and hazards to which we are exposed.”

ENVIRONMENTAL, SOCIAL AND GOVERNANCE MATTERS

We are dedicated to creating a long-lasting and positive environmental, social, and governance impact on our customers, suppliers and the communities that our operations may impact.

Environment Protection

We are committed to building a green and low-carbon factory to minimize the impact of our manufacturing operations on the environment. In 2020, we obtained the “Green Factory” certification in Jiangsu Province. We have established and operated an environmental management system in accordance with the requirements of the GB/T24001 standard to identify and control environmental management risks and to continuously improve our environmental management performance. We continue to hold the environmental management system certification.

We are committed to achieving carbon peaks and carbon neutrality. We have established and operated an energy management system in accordance with the GB/T23331 standard. We have adopted a series of measures such as technology and management to continuously reduce energy consumption and carbon emissions in the process of manufacturing operations. We have passed the energy management system certification and continue to hold the energy management system certification.

Our manufacturing operations are subject to relevant environmental laws and regulations in the PRC. The environmental protection inspection department of the local government conducts regular inspections on our Company’s environmental protection. Our PRC Legal Advisor have advised us that, from January 1, 2019 to December 31, 2021, we have not been subject to significant penalties by the governmental authorities for non-compliance with the applicable PRC environmental laws and regulations, nor have we experienced any major environmental incidents or complaints that have a material adverse effect on our business, financial condition or results of operations during this period.

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In 2019, 2020 and 2021, the costs we incurred in complying with the requirements of the relevant environmental laws and regulations and our expenditures related to environmental protection amounted to approximately RMB11.8 million, RMB24.9 million and RMB43.5 million, respectively. We expect that our cost of complying with relevant environmental laws and regulations will increase as we expand our business.

According to the relevant PRC laws and regulations, we must control and reduce the extent of any pollution or any other harm to the environment that may be caused by the production and sales of our products in China. For details, please see “Regulatory Overview – Environmental Protection”.

Management measures

Waste management

We manage and control the process of collection, storage, and transfer of waste, in accordance with the relevant PRC laws and regulations. Our logistics management department will collect, store and inspect hazardous waste material regularly until it is transferred to a qualified waste disposal unit for further processing.

We abide by the requirements for wastewater discharge as adopted in laws and regulations such as the “Regulations on the Management of the Taihu Lake Basin” (《太湖流域管理條例》) and the “Emission standard of pollutants for battery industry” (《電池工業污染物排放標準》). Our plants are equipped with different equipment or systems for recycling and processing exhaust gas. The exhaust gas is recycled and reused, while those which cannot be recycled, in strict compliance with the “Emission standard of pollutants for battery industry”, are discharged when emission standards are met after effective treatment.

Carbon emission management

Energy saving and consumption reduction

We actively improve our technology to reduce energy consumption in the production process. We purchase energy-efficient power equipment, and actively encourage the recycling of surplus energy and excess pressure to reduce the energy consumption in auxiliary production systems. We carry out energy-saving reviews, reducing the energy consumption in the subsidiary production support system through management measures.

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Renewable energy utilization

We have built rooftop distributed photovoltaic power generation, ground-source heat pumps and other renewable energy utilization equipment and facilities, so as to supplement/replace grid power with solar energy, geothermal energy and other energy sources.

Use of recyclable materials

We vigorously develop material recycling technology to increase the proportion of recycled materials in the production materials.

Green design

We actively introduce green design philosophy and design green products with low carbon footprint.

Occupational Health and Safety

Our operations are subject to the relevant PRC laws and regulations relating to employees' health and safety. We are committed to complying with PRC regulatory requirements, preventing and reducing hazards and risks that may cause damage to employees' health or company's property, and ensuring the health and safety of our employees and surrounding communities. During the Track Record Period, we have not had any significant accidents during our operations, and we are not aware of any material personal or property damage claim related to health and occupational safety.

In order to ensure that our operations comply with applicable laws and regulations, we have established and improved a series of policies and procedures on health and work safety, including safety production responsibility system, equipment safety management, high-risk operations, management of hazardous chemicals, accident and emergency, hierarchical management and control of safety risk, and hidden danger investigation and management, in accordance with relevant national laws and regulations and GB/T45001 standards. We have passed the certification review conducted by a third-party institution for our occupational health and safety management system, and thus continue to hold the certificate of the occupational health and safety management system. We have carried out self-assessment and external review for safety production standardization of enterprises as required, and have held a level III safety production standardization certificate.

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REGULATORY COMPLIANCE AND LEGAL PROCEEDINGS

Licenses, Approvals and Permits

As of the Latest Practicable Date, we have obtained all necessary licenses, permits and approvals for conducting operating activities, including pollutant discharge permit, radiation safety license and others that are important to our operations, and such licenses, permits and approvals are still valid as of the Latest Practicable Date.

Legal Proceedings

In the course of general business operations, we may be involved in contract disputes, litigation or other legal procedures. As of the Latest Practicable Date, except for the intellectual property infringement claims below, none of our Company, any of our subsidiaries or any directors has been involved in any material litigation, arbitration or claim that may have a material adverse effect on the financial condition or operating results.

Intellectual Property Infringement Claims

In August and October 2021, we were notified by the Intermediate Court of Fuzhou City, Fujian Province (the “**Court**”) with regard to certain intellectual property infringement claims brought against us (each a “**Claim**” and together, the “**Claims**”). The Claims were petitioned in July and September 2021, respectively, by Contemporary Amperex Technology Co., Limited (“**CATL**”).

As of the Latest Practicable Date, we are preparing to contest the Claims.

Allegations

CATL alleges that we, by manufacturing and selling EV battery in China, infringed five Chinese patents held by CATL, including:

- a. PRC patent No. 201810696957.2, granted in April 2019 and is valid through June 2038, on “Cathode piece and battery” (正極極片及電池);
- b. PRC utility model No. 201521112402.7, granted in May 2016 and is valid through December 2025, on “Explosion-proof device” (防爆裝置);
- c. PRC patent No. 201810039458.6, granted in September 2020 and is valid through January 2038, on “Component for collecting current and battery” (集流構件和電池);
- d. PRC patent No. 201910295365.4, granted in August 2020 and is valid through April 2038, on “Lithium-ion battery” (鋰離子電池); and
- e. PRC utility model No. 201520401861.0, granted in September 2015 and is valid through June 2025, on “Top cover structure of EV battery and EV battery” (動力電池頂蓋結構及動力電池)^(Note).

Note: The defendant in the patent-related lawsuit is Luoyang Company.

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Claims

CATL made similar claims in each of the Claims, asking the Court to require us to:

- immediately stop infringing the relevant patents, including, without limitation, to cease manufacturing, selling or offering to sell relevant products that apply the aforementioned patents.
- pay in aggregate amount of RMB185 million (including royalties payable during the temporary protection period for invention patents) to CATL for such alleged IP infringements as compensation for CATL’s economic losses.
- bear the RMB3 million expenses, which CATL claims to have incurred for trying to stop the intellectual property infringements.

Impact and next steps

Based on discussions with our special intellectual property counsel, our Directors are of the view that (i) the Claims are lacking in merit; and (ii) the Claims will not have a material adverse effect on the Group’s business, financial condition or results of operation as a whole.

We have already made the patent invalidation application in relation to the five patents held by CATL to China National Intellectual Property Administration (“CNIPA”) and the application is currently under review by CNIPA. Although we received the above claims in August 2021, orders for our products and our installed capacity still kept growing. Our installed capacity for November 2021 exceeded 1GWh and reached 1.2GWh for January 2022. Therefore, our Directors are of the view that as of the Latest Practicable Date, the Claims did not materially and adversely impact our business operations.

Patent Invalidation Applications

In February, 2022, we received three patent invalidation applications (the “**Patent Invalidation Applications**”) against three of our patents. Based on discussions with our special intellectual property counsel, our Directors are of the view that (i) each of above three Patent Invalidation Applications cannot be established as the evidence submitted by the applicant cannot support the argument that the relevant patents lack of novelty and creativity; and (ii) none of the three patents under the invalidation applications has been practically applied in our Company’s products, nor do they involve core technologies, and in the highly improbable event that all the three patents were held to be invalid, the operation of our Company will not be affected. Therefore, the Patent Invalidation Applications will not have a material adverse effect on our Group’s business or results of operation as a whole.

For risks relating to the Claims and the Patent Invalidation Applications, see “Risk Factors – Risks Relating to Our Industry and Business – We may be involved in intellectual property infringement claims and invalidation applications, which may be time-consuming and result in us bearing expenses.”

BUSINESS

THE IMPACT OF THE COVID-19 PANDEMIC

Since the first quarter of 2020, the outbreak of COVID-19 has materially and adversely affected the global economy. In response, countries across the world, including the PRC government have implemented various anti-pandemic measures, including widespread restrictive measures, closure of workplace and restrictions on movement and travel, to contain the spread of the virus. As of the Latest Practicable Date, substantially all of the cities in China had eased or lifted domestic travel restrictions and resumed normal social activities, work and production.

The restrictive measures and other anti-pandemic measures have reduced the mobility of our employees, causing some of our employees to work remotely during early stages of the COVID-19 outbreak. In line with government guidelines, we have implemented various precautionary measures and adjusted our employee’s work arrangements according to the relevant regulations and policies, which allows us to maintain a sufficient number of personnel at our production bases to continue our operation. We have been closely tracking the health and wellness status of our employees and we routinely check their body temperature before they enter our offices or production bases. As of the Latest Practicable Date, all of our employees have resumed their normal work arrangements.

To provide a safer work environment during the COVID-19 pandemic, we have adopted relevant contingency measures to ensure the health of our employees and hygiene of our work environment. We have a work group in place which is responsible for implementing relevant anti-pandemic measures according to different stages of the pandemic. We procure epidemic prevention materials, including masks and hand sanitizers for our employees, and every employee is required to wear a mask in the public area of the business premises. Each of our department is assigned with relevant instruments to check the body temperature of our employees and employees with abnormal body temperature are required to go to the hospitals nearby. During the Track Record Period and up to the Latest Practicable Date, we had no confirmed COVID-19 cases on our premises or among our employees. We have not encountered any suspension of work and production due to the COVID-19 pandemic. However, in 2020, our business and financial performance was affected by the fluctuations in the production of our customers, and we may continue to be affected in the future. Please see “Risk Factors — Risks Relating to Our Industry and Business – Our business was and may be interrupted by the COVID-19 pandemic” for further details.

RELATIONSHIP WITH JINTAN GROUP

THE JINTAN GROUP

As of the Latest Practicable Date, Jinsha Investment, Huake Engineering, Huake Investment and Jintan International directly held in aggregate approximately 30.04% of our total Shares in issue.

Jinsha Investment is wholly owned by Jintan Holding. Each of Huake Engineering and Huake Investment is wholly owned by Jintan Hualuogeng, which is in turn owned as to 90% by Jintan Holding, which is a state-owned enterprise and directly wholly owned by the Government of Jintan District. The investment by Jintan International in our Company was made in accordance with the instructions of Jintan Holding and Jintan International exercises its voting rights in our Company in accordance with the instructions of Jintan Holding.

Immediately following the completion of the [REDACTED] and assuming no exercise of the [REDACTED], Jinsha Investment, Huake Engineering, Huake Investment and Jintan International will directly hold in aggregate approximately [REDACTED] of our total Shares in issue. Accordingly, Jintan Group will constitute a group of our largest Shareholders immediately upon [REDACTED]. As Jintan Group controls less than 30% of our total Shares in issue immediately upon [REDACTED], it will no longer be our controlling shareholders (as defined under the Listing Rules) upon [REDACTED].

BUSINESS DELINEATION AND COMPETITION

Overview

As of the commencement of Track Record Period, Luoyang Company was our initial controlling Shareholder, which held 30% equity interests in our Company. On April 22, 2019, Luoyang Company and Chengfei Integration entered into the conditional equity transfer agreement, pursuant to which, Luoyang Company agreed to transfer its 30% equity interest in our Company to Chengfei Integration. Upon completion of the aforesaid equity transfer, Luoyang Company ceased to be our Shareholder. In July 2019, Luoyang Company became a non-wholly owned subsidiary of our Company, in which we held 73.36% equity interests.

Luoyang Company and its subsidiaries are principally engaged in the design, R&D, production and sales of EV batteries and ESS products. In October 2021 and March 2022, our Company entered into a series of transactions, upon completion of which, our Company ceased to have any equity interest in Luoyang Company. For further details on the corporate development of Luoyang Company and the reasons of our disposal of Luoyang Company, please see “History, Development and Corporate Structure – Acquisition and Disposal of Luoyang Company” in this document. As of the Latest Practicable Date, Luoyang Company is owned as to 51% by Jincheng Technology and 49% by Jinhang Holding. Our PRC Legal Advisor confirmed that Luoyang Company did not involve in any material non-compliance during the Track Record Period.

RELATIONSHIP WITH JINTAN GROUP

In connection with the disposal, Luoyang Company agreed to use its best endeavour to procure its clients to enter into business contracts with our Group after its existing business contracts have been duly performed. As of the Latest Practicable Date, the aggregate unperformed amounts of Luoyang Company’s contracts of EV batteries for civil use and ESS products were approximately RMB52.52 million and RMB50.23 million, respectively. Save for the entrusted processing services of EV battery products for civil use and ESS products, Luoyang Company no longer retains any business related to EV battery products for civil use and ESS products upon [REDACTED]. Please see the section headed “Connected transactions” in this document for further details in relation to the entrusted processing services arrangement. The retained businesses of Luoyang Company upon and subsequent to the [REDACTED] (the “**Retained Businesses**”) include:

- R&D, manufacturing and sales of EV batteries for military industrial use;
- provision of entrusted processing services of EV battery products for civil use and ESS products to our Group; and
- with our expressed consent, R&D, manufacturing and sales of EV battery products for civil use and ESS products.

Please see “Financial Information” of this document for details of the financial results of Luoyang Company during the Track Record Period.

With regard to the Retained Businesses, Luoyang Company undertakes to our Company (for ourself and as trustee for the benefit of each member of our Group) the following:

- in respect of the entrusted processing business of EV battery and ESS products of Luoyang Company, Luoyang Company shall not engage in production, R&D and sales of EV battery products for civil use and ESS products, unless our demands have been satisfied and our expressed consent has been obtained;
- it shall comply with the obligations under the entrusted processing framework agreement entered into by it with our Company dated December 31, 2021; and
- it shall only use the patents jointly owned by it and our Company and our subsidiaries in the Retained Businesses, and unless prior written consent having been obtained from our Company, it shall not authorize or permit any third party to use such patents.

Each of Jincheng Technology, Jinhang Holding and Jintan Holding also undertakes to our Company (for ourself and as trustee for the benefit of each member of our Group) that, during the period Jintan Holding remains a controlling shareholder of Luoyang Company, it shall use its best endeavour to procure Luoyang Company (i) to honour its undertakings above and (ii) grant our Company the right of first refusal if Luoyang Company plans to dispose of any of its assets in relation to EV battery business for civil use and ESS business.

RELATIONSHIP WITH JINTAN GROUP

Delineation of business and competition

Our core business is design, R&D, production and sales of EV battery products for civil use and ESS products (the “**Core Businesses**”).

Our Directors consider that, upon and subsequent to the [REDACTED], other than the processing services of EV battery products for civil use and ESS products provided to our Group, the Retained Businesses of Luoyang Company are not likely to compete, directly or indirectly, with our Core Businesses. Together with the non-compete undertakings given by Luoyang Company and Jincheng Technology in our favor, as well as the relevant provisions set out in the Non-Competition Agreement entered into between our Company and Jintan Group, our Directors are of the view that Luoyang Company’s Retained Businesses do not pose any material competition or potential competition with our Core Businesses. Upon [REDACTED], we will continue to conduct certain continuing connected transactions with Luoyang Company and therefore, our Company has also entered into the entrusted processing framework agreement with Luoyang Company to govern the conduct of such continuing connected transactions after [REDACTED]. For details of such agreements and arrangement, please see “Connected transactions” in this document.

We have adopted and will further, where necessary, adopt appropriate enhanced measures to manage the conflict of interests between Jintan Group, our Directors, our Group and Shareholders as a whole. Please see “Corporate governance measures” in this section for details.

Jintan Group and our Directors confirm that as of the Latest Practicable Date, save as disclosed above, neither of them nor their respective close associates have any interest in any business, apart from the Core Businesses operated by members of our Group, that competes or is likely to compete, directly or indirectly, with the business of our Group and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM JINTAN GROUP

Having considered the following factors, our Directors believe that our Group is capable of carrying on our business independently from Jintan Group and their respective close associates after [REDACTED].

Management Independence

Our business is managed and conducted by our Board and senior management. Upon the completion of [REDACTED], our Board will consist of eight Directors, including two executive Directors, three non-executive Directors and three independent non-executive Directors. Please see “Directors, Supervisors and senior management” in this document for details.

RELATIONSHIP WITH JINTAN GROUP

Save for the following members of our Board and senior management, there is no overlap of Directors and members of senior management between our Group and Jintan Group and their respective close associates:

Member of our Board or senior management	Role(s) in our Group	Role(s) in Jintan Group and their respective close associates
Mr. Zhou Sheng	Non-executive Director	<ul style="list-style-type: none">• Executive director and legal representative of Jinsha Investment• Chairman of the board of directors and legal representative of Jintan Hualuogeng• Executive director and legal representative of Huake Investment• Executive director and legal representative of Changzhou Huakeyi Technology Investment Co., Ltd.* (常州華科易科技投資有限公司)• General manager, executive director and legal representative of Changzhou Huakerui Technology Investment Co., Ltd.* (常州華科瑞科技投資有限公司)• Executive director at Changzhou Huake Venture Capital Co., Ltd.* (常州華科創業投資有限公司)• Supervisor at Changzhou ECOTEK Automotive Electronic Systems Co., Ltd.* (常州易控汽車電子股份有限公司), a company listed on National Equities Exchange and Quotations (全國中小企業股份轉讓系統) (stock code: 870930.OC)• Executive director and legal representative of Huake Engineering• Executive director and legal representative of Changzhou Jinsha Capital Management Co., Ltd.* (常州金沙資金管理有限公司)

RELATIONSHIP WITH JINTAN GROUP

Member of our Board or senior management	Role(s) in our Group	Role(s) in Jintan Group and their respective close associates
		<ul style="list-style-type: none"> • Director of Jiangsu Chengdong Construction Projects Co., Ltd.* (江蘇城東建設工程有限公司) • Executive Director and legal representative of Jiangsu Jiangnan Clean Energy Research Institute Co., Ltd.* (江蘇江南清潔能源研究院有限公司) • Executive Director and legal representative of Changzhou Huake Zhuolin Industrial Investment Co., Ltd.* (常州華科卓林實業投資有限公司) • General manager, executive director and legal representative of Changzhou Huakewo Industrial Investment Co., Ltd.* (常州華科沃實業投資有限公司)
Mr. Zhang Guoqing	Non-executive Director	<ul style="list-style-type: none"> • Executive director and legal representative of Changzhou Changjin Technology Investment Co., Ltd.* (常州常金科技投資有限公司) • Executive director and legal representative of Changzhou Zhongcheng Industrial Co., Ltd.* (常州眾成實業發展有限公司) • Executive Director and legal representative of Jiangsu Jintan Financial Guarantee Co., Ltd.* (江蘇金壇融資擔保有限公司) • Director of Jintan Hualuogeng

Our non-executive Directors, Mr. Zhou Sheng and Mr. Zhang Guoqing (the “**Overlapping Directors**”) serve as the members of the Board and participate in decision making of significant matters such as formulation of our general overall development strategies and corporate operation strategies but do not take part in the daily management of our Company. For further information about the technical knowledge, expertise and experience of the Overlapping Directors, please see “Directors, Supervisors and senior management” for their respective biographical details.

RELATIONSHIP WITH JINTAN GROUP

Save as disclosed above, none of our Directors and members of senior management of our Company holds any directorship and senior management positions in Jintan Group and their respective close associates. As our management team is different from that of Jintan Group, there are sufficient non-overlapping Directors who are independent from Jintan Group and possess relevant experience to ensure that the Board is able to perform its functions properly.

For the business of Luoyang Company after its disposal, Luoyang Company will provide entrusted processing services of EV battery products for civil use and ESS products for our Group, and unless satisfying our business demand and obtaining our expressed consent, Luoyang Company shall not engage in the business of R&D, manufacturing and sales of EV battery products for civil use and ESS products.

In light of the above arrangements, our Directors expect that there will not be any material conflict of interest involving Jintan Group. In the event of any conflict of interest arising, we believe we have sufficient and effective control measures to enable our Directors and senior management of our Company to discharge their duties independently and protect the interests of our Shareholders as a whole on the following grounds:

- Jintan Group has entered into the Non-Competition Agreement, pursuant to which each member of Jintan Group agrees not to compete, either directly or indirectly, with us and will notify us of any new business opportunities. The independent non-executive Directors will decide whether to take up or bid for the new business opportunities according to the relevant provisions of the Non-Competition Agreement.
- The decision-making mechanism of our Board set out in the Articles of Association already includes relevant provisions to avoid conflict of interest, including but not limited to, for example, in the event that conflict of interest arises and resolutions have been proposed for consideration and discussion in relation to a transaction with Jintan Group, our Directors connected to Jintan Group shall abstain from voting and shall not be counted in the quorum. Those resolutions are subject to the approval of more than half of our Directors who are independent in respect of the matter they are voting for.
- The two Directors who hold positions in Jintan Group or their respective associates are non-executive Directors, who, as the members of our Board, are responsible for making important decisions in respect of our general overall development strategies and corporate operation strategies but do not take part in the daily management of our Company. Our executive Directors and a team of experienced senior management members with a long employment history with our Group, all of whom are independent of Jintan Group or their respective associates and are our full-time employees, are responsible for the daily management of our Company.

RELATIONSHIP WITH JINTAN GROUP

- Neither our Directors or members of the senior management of our Company have any equity interests in Jintan Group or their respective associates, nor, save as the Overlapping Directors, have any of them received any remuneration, benefit and bonus from Jintan Group.
- Each of our Directors is aware of his/her fiduciary duties, which require, among others, that he/she acts for the benefit and in the best interests of our Company and does not allow conflict between his/her duties as a Director and his personal interests.
- We have three independent non-executive Directors who have extensive experience in different professions. They have been appointed pursuant to the requirements under the Listing Rules to ensure that the decisions of the Board are made only after due consideration of independent and impartial opinions. Our Directors believe that the presence of our independent non-executive Directors from different backgrounds provides a balance of views and opinions.
- We have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and Jintan Group which would support our independent management. Please see “Corporate governance measures” in this section for further details.

In light of the above, our Directors are satisfied with that our Board together with our senior management team as a whole is able to manage our business independently from Jintan Group and their respective close associates.

Operational Independence

We have established our own organizational structure comprising individual departments, each with specific areas of responsibilities. We have also established various internal control procedures to facilitate the effective operation of our business. Our Group is not operationally dependent on Jintan Group. Our Group holds or enjoys the benefit of all relevant licenses and owns all relevant intellectual property and R&D facilities necessary to carry on our business. We have sufficient capital, facilities, equipment and employees to operate our business independently from Jintan Group. We also have independent access to our customers and suppliers.

Apart from the transactions set out in the “Connected Transactions” in this document, our Directors do not expect that there will be any other significant transactions between our Group and Jintan Group upon or shortly after the [REDACTED]. Based on the above, our Directors believe that we are capable of carrying on our business independently from Jintan Group and their respective close associates.

RELATIONSHIP WITH JINTAN GROUP

Financial Independence

Our Group has an independent financial system and makes financial decisions according to our Group’s own business needs. Our Group’s accounting and finance functions are independent of Jintan Group. During the Track Record Period, we primarily financed our business operation through cash generated from our business activities. As of the Latest Practicable Date, we did not have any outstanding borrowing or guarantee from Jintan Group or any of their respective close associates.

Having considered the above, we believe we are able to obtain external financing, when and if necessary, without guarantee or security provided by Jintan Group. Our Directors confirm that we will not rely on Jintan Group for financing after the [REDACTED] as we expect that our working capital will be funded from the [REDACTED] and cash flow from operations. Therefore, we are not financially dependent on Jintan Group and their respective close associates.

NON-COMPETITION AGREEMENT

Each of the member of Jintan Group (collectively, the “**Covenantors**” and each, a “**Covenantor**”) has entered into the Non-Competition Agreement with our Company on [●] 2022, pursuant to which each of the Covenantors has, among other things, irrevocably and unconditionally undertaken, jointly and severally, with our Company (for ourselves and as the trustee for the benefit of each member of our Group) that during the Relevant Period (as defined below), the Covenantors shall not, and shall procure that their respective close associates (whether as a shareholder, director, officer, partner, agent, lender, employee, consultant or otherwise, or whether it is engaged for profits, remuneration or for other purposes) shall not in the PRC and Hong Kong directly or indirectly carry on, engage in, invest in, participate in, attempt to participate in, render any services to, provide any financial support to or otherwise be involved in the R&D, production and sales of EV batteries and ESS products for non-military industry and any business or investment activities which are the same as, similar to or in competition or likely to be in competition with any business carried on or expect to be carried on by any member of our Group from time to time (the “**Restricted Business**”) or be interested in the Restricted Business whether in the form of economy or otherwise, or whether alone or jointly with another person and whether directly or indirectly or on behalf of or to assist or act in concert with any other person, except for the following:

- (i) carrying on any Retained Business through Luoyang Company;
- (ii) holding any securities of any listed companies which conducts or is engaged in any Restricted Business through their interests in our Group;
- (iii) undertaking project(s) or otherwise be involved in any of the New Business Opportunities (as defined below) provided that the project or New Business Opportunities have been first offered to our Group but our Group has not taken it up; and

RELATIONSHIP WITH JINTAN GROUP

- (iv) through acquiring or holding any investment or interest in units or shares of any company, investment trust, joint venture, partnership or other entity in whatever form which conducts or engages in any Restricted Business where such investment or interest does not exceed 10% of the issued shares of such entity provided that (1) such investment or interest does not grant the Covenantors or their respective close associates any right to control the composition of the board of directors or managers of such entity, (2) none of the Covenantors or their respective close associates control the board of directors or managers of such entity and (3) such investment or interest does not grant the Covenantors or their respective close associates any right to participate directly or indirectly in such entity.

New Business Opportunities

In addition, each of Covenantors has further severally and jointly, irrevocably and unconditionally undertaken to our Company (on behalf of itself and as trustee for the benefit of each member of our Group) that it shall refer to and procure its close associates to refer to investment or business opportunity related to Restricted Business (“**New Business Opportunities**” and each, a “**New Business Opportunity**”) to our Company in the following manner:

- As soon as it becomes aware of any New Business Opportunity, gives written notice (the “**Offer Notice**”) to us identifying the target company (if relevant) and the nature of the New Business Opportunity, detailing all information available to it for our Company to consider whether to pursue such New Business Opportunity (including details of any investment or acquisition costs and the contact details of the third parties offering, proposing or presenting the New Business Opportunity).
- Our Company shall, as soon as practicable and in any case within 30 business days from the receipt of the Offer Notice (the “**Offer Notice Period**”) notify the relevant Covenantor in writing of any decision taken to pursue or decline the New Business Opportunity. During the Offer Notice Period, our Company may negotiate with the third party and the relevant Covenantor shall use its best endeavors to assist us in obtaining such New Business Opportunity on the same or more favorable terms.
- As confirmed by the respective Covenantors, our Company is required to seek approval from our Directors who do not have a material interest in the New Business Opportunities and the resolution need to be passed by more than half of the voting rights held by such Directors as to whether to pursue or decline the New Business Opportunity, the Directors who have a material interest in the New Business Opportunity shall abstain from voting. In accordance with the requirements under the Listing Rules, if the appointment of an independent financial advisor is required, our Company shall appoint an independent financial advisor to advise on the terms of the transaction in the subject matter of such New Business Opportunity.

RELATIONSHIP WITH JINTAN GROUP

- The relevant Covenantor may, at its absolute discretion, consider extending the Offer Notice Period as appropriate.
- The relevant Covenantor is entitled but not obliged to carry on, engage, invest, participate or be interested (economically or otherwise) in the New Business Opportunity (whether individually or jointly with another person and whether directly or indirectly or on behalf of or to assist any other person) on the same, or less favorable, terms and conditions in all material respects as set out in the Offer Notice if:
 - (i) it has received a written notice from us declining the New Business Opportunity; or
 - (ii) it has not received any written notice from us of our decision to pursue or decline the New Business Opportunity within 30 business days from our receipt of the Offer Notice, or any extended Offer Notice Period, in which case our Company shall be deemed to have declined the New Business Opportunity.
- If there is a change in the nature or proposal of the New Business Opportunity pursued by the relevant Covenantor, it/he/she shall refer the New Business Opportunity as revised and shall provide to us details of all available information for us to consider whether to pursue the New Business Opportunity as revised.

Under the Non-Competition Agreement, each of the Covenantors has further irrevocably and unconditionally undertaken jointly and severally, with us the following:

- (i) the Covenantors shall provide, and shall procure their close associates to provide, during the Relevant Period (as defined below), where necessary and at least on an annual basis, all information necessary for the review by our independent non-executive Directors, subject to any relevant laws, rules and regulations or any contractual obligations, to enable them to review the Covenantors' and their close associates' (other than members of our Group) compliance with the Non-Competition Agreement, and to enable the independent non-executive Directors to enforce the Non-Competition Agreement;
- (ii) the Covenantors shall provide to us with an annual declaration for inclusion in our annual report, in respect of their compliance with the terms of the Non-Competition Agreement;
- (iii) the Covenantors have agreed and authorized us to disclose decisions on matters reviewed by the independent non-executive Directors relating to the compliance and enforcement of the Non-Competition Agreement, either through our annual reports or by way of public announcements; and

RELATIONSHIP WITH JINTAN GROUP

- (iv) each of the Covenantors undertakes to abstain from voting or it will not be counted in quorum in any of the Shareholders’ meeting of our Company when voting on the matters that are contemplated under the Non-Competition Agreement and any matter that may be in conflict or cause actual or potential conflicts.

For the purposes of the above, the “Relevant Period” means the period commencing from the [REDACTED] and shall expire on the earlier of (i) the date when the Covenantors and any of their respective close associates (as the case may be), whether directly or indirectly held, or otherwise are interested in aggregate, which make them cease to be the single largest Shareholder of our Company or (ii) the date on which our Shares cease to be listed on the Stock Exchange (except for temporary suspension of trading of our Shares).

Compensation Arrangement

The parties to the Non-Competition Agreement further agreed that the following major principles shall be applied in respect of the difference between the valuation of Luoyang Company as of December 31, 2020 (the “**2020 Valuation**”) and as of December 31, 2021 (the “**2021 Valuation**”):

- (i) with respect to the consideration of 51% equity interests of Luoyang Company disposed by our Company to Jincheng Technology in November 2021 (being RMB1,530 million and determined with reference to the 2020 Valuation, our Company shall compensate Jincheng Technology in the amount of RMB397.80 million (being the difference between the 2020 Valuation and the 2021 Valuation multiple by 51%); and
- (ii) our Company and Jincheng Technology shall enter into a supplemental agreement in respect of the compensation arrangement mentioned in paragraph (i) above.

Please see “History, Development and Corporate Structure – Acquisition and Disposal of Luoyang Company” of this document for the reasons for implementing the compensation arrangement and details the supplemental agreement entered into between our Company and Luoyang Company in respect of the compensation arrangement.

CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance in protecting our Shareholders’ interests. We have put in place sufficient corporate governance measures to manage the conflict of interest and potential competition from Jintan Group and safeguard the interest of the Shareholders, including:

- (1) our independent non-executive Directors will review, at least on an annual basis, whether there is any conflict of interest between our Group and Jintan Group and provide impartial and professional advice to protect the interests of our minority Shareholders;
- (2) our independent non-executive Directors will review the compliance with the undertakings under the Non-Competition Agreement on an annual basis;

RELATIONSHIP WITH JINTAN GROUP

- (3) our Company will disclose decisions on matters (if any) reviewed by our independent non-executive Directors (including our independent non-executive Directors' views and decisions (with basis) for accepting or declining any New Business Opportunities) and will confirm whether the undertakings in the Non-Competition Agreement have been fulfilled in the annual reports of our Company or in the announcement under the Listing Rules;
- (4) where a Shareholders' meeting is to be held for considering proposed transactions in which Jintan Group or any of his close associates has a material interest, Jintan Group will not vote on the resolutions and shall not be counted in the quorum in the voting;
- (5) our Company has established internal control mechanism to identify connected transactions. After the [REDACTED], our Company will comply with the requirements in connection with connected transactions under the Listing Rules;
- (6) where our Directors reasonably request the advice of independent professionals, such as independent financial advisors, the appointment of such independent professional will be made at our Company's expense;
- (7) we have appointed Maxa Capital Limited as our compliance advisor to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance; and
- (8) we will establish the audit committee, remuneration committee and nomination committee prior to the [REDACTED] with written terms of reference in compliance with the Listing Rules and the Corporate Governance Code.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between Jintan Group and their respective close associates and our Group and to protect the interests of our Shareholders, in particular, the minority Shareholders.

CONNECTED TRANSACTIONS

Following the [REDACTED], the transactions between our Company and our connected persons will constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

CONNECTED PERSONS

The table below sets forth certain parties who will become our connected persons upon [REDACTED] and the nature of their relationships with our Company:

Connected person	Connected relationship
Jinyuan Investment	a Substantial Shareholder and therefore a connected person of our Company
Luoyang Company	a company owned as to 49% by Jinhang Holding and 51% by Jincheng Technology. Jincheng Technology is wholly owned by Jintan Holding, being a Substantial Shareholder, and hence an associate of Jintan Holding and a connected person of our Company
CALB USA INC (“CALB USA”)	a company owned as to 40% by Luoyang Company and hence an associate of Jintan Holding and therefore a connected person of our Company
Jiangsu Chengdong Construction Projects Co., Ltd.* (江蘇城東建設工程有限公司) (“ Jiangsu Chengdong Construction ”)	a company owned as to approximately 54.18% by Changzhou Zhongcheng Industrial Co., Ltd.* (常州眾成實業發展有限公司), which is wholly owned by Jinsha Investment, being a Substantial Shareholder, and therefore an associate of Jinsha Investment and a connected person of our Company
Changzhou City Jintan District Dongli New Energy Technology Development Co., Ltd.* (常州市金壇區東鋰新能源科技發展有限公司) (“ Dongli New Energy Technology ”)	a wholly-owned subsidiary of Jiangsu Chengdong Construction, therefore an associate of Jinsha Investment and a connected person of our Company

CONNECTED TRANSACTIONS

SUMMARY OF OUR CONNECTED TRANSACTIONS

The following table sets forth a summary of the one-off connected transactions and continuing connected transactions of our Company:

Nature of transactions	Applicable Listing Rules	Waiver sought
<i>One-off Connected Transaction</i>		
1. Lease and Purchase Agreement	N/A	N/A
<i>Fully-exempt Continuing Connected Transaction</i>		
2. Guarantee provided by Jinyuan Investment to Xiamen Company	14A.90	N/A
<i>Partially-exempt Continuing Connected Transaction (subject to reporting and announcement requirements)</i>		
3. Sales Framework Agreement	14A.35 14A.53 14A.76(2) 14A.105	Announcement
<i>Non-exempt Continuing Connected Transactions (subject to reporting, annual review, announcement and independent Shareholders’ approval requirements)</i>		
4. Entrusted Processing Framework Agreement	14A.35 14A.36 14A.46 14A.49 14A.52 to 14A.59 14A.71 14A.105	Announcement, circular, independent Shareholders’ approval
5. General Contracting Agreements for Construction Projects	14A.35 14A.36 14A.46 14A.49 14A.52 to 14A.59 14A.71 14A.105	Announcement, circular, independent Shareholders’ approval

CONNECTED TRANSACTIONS

ONE-OFF CONNECTED TRANSACTION

1. Lease and Purchase Agreement and Letter of Undertaking

On March 31, 2020, Jiangsu Chengdong Construction and Jiangsu Research Institute, a wholly owned subsidiary of our Company, entered into a lease and purchase agreement (the “**Lease and Purchase Agreement**”), and on April 1, 2020, Jiangsu Chengdong Construction and Dongli New Energy Technology executed a letter of undertaking to Jiangsu Research Institute in respect of the Lease and Purchase Agreement (the “**Letter of Undertaking**”). The principal terms of the Lease and Purchase Agreement and the Letter of Undertaking are summarized as follows:

- Parties : (1) Jiangsu Chengdong Construction and Jiangsu Research Institute, as the parties to the Lease and Purchase Agreement; and
- (2) Jiangsu Chengdong Construction and Dongli New Energy Technology, as the parties who executed the Letter of Undertaking.
- Nature of the transaction : Jiangsu Chengdong Construction shall be responsible for the construction of our Company’s pilot base phase II project, and Jiangsu Research Institute shall lease such land, plant and ancillary facilities from Jiangsu Chengdong Construction and purchase the same upon completion of the construction. The project has a construction area of approximately 30,800 square meters and a total of four storeys (the “**Relevant Project**”).
- Project company : The parties agreed Jiangsu Chengdong Construction to establish a wholly-owned company, namely Dongli New Energy Technology, as the project company, and Dongli New Energy Technology will perform the right and obligation of Jiangsu Chengdong Construction under the Lease and Purchase Agreement. Jiangsu Chengdong Construction shall be jointly liable for the performance of Dongli New Energy Technology under the Lease and Purchase Agreement.
- Project construction : Dongli New Energy Technology is responsible for the construction of civil engineering works such as plant and ancillary facilities involved in the Relevant Project according to the requirements of the Relevant Project.

CONNECTED TRANSACTIONS

Project lease : Lease scope: plant and ancillary facilities regarding the Relevant Project

As agreed under the Lease and Purchase Agreement, the rent shall be (1) the 8% of the actual investment amount of Jiangsu Chengdong Construction as annual rent; (2) before the actual investment amount of Jiangsu Chengdong Construction investment is determined, the annual rent is temporarily based on the estimated investment amount of Jiangsu Chengdong Construction of RMB80 million, and the temporary rent is RMB6.4 million/year (tax included). Within six months after the completion of the construction drawings, Jiangsu Chengdong Construction and Jiangsu Research Institute shall jointly determine the construction and installation engineering cost, and then calculate the annual rent payable at 8% of the adjusted investment amount, and the balance shall be made up by Jiangsu Research Institute by simultaneous payment with the rent of the following year, and the overpayment will be deducted from the rent of the following year; (3) when the lease period is less than one year, the rent shall be calculated by days, the formula is the actual investment amount x 8%/365 days x actual leased days.

Lease period: three years, calculated from the following day of three months after the roof-sealing of the main plant or the first process equipment of Jiangsu Research Institute is set into the site (whichever is earlier).

Rent payment and payment term: the annual rent shall be paid within ten working days after the start date of the annual lease.

Purchase of the Relevant Project : Jiangsu Chengdong Construction and Jiangsu Research Institute shall complete the construction and installation engineering fee audit within six months after the completion and acceptance of the Relevant Project, and confirm the purchase price of the Relevant Project one month before the expiration of the lease term. Jiangsu Research Institute shall purchase all the property rights in the Relevant Project from Jiangsu Chengdong Construction in one lump sum at the purchase price and by way of property rights transfer within 45 days after the expiration of the lease term.

CONNECTED TRANSACTIONS

The determination of the purchase price will take into account of the following factors: (1) consideration and taxes paid by Jiangsu Chengdong Construction for assignment of state-owned land; (2) Jiangsu Chengdong Construction’s payment of various costs for relevant permits and other legal procedures; (3) various supporting fees for construction projects paid by Jiangsu Chengdong Construction; (4) construction and installation engineering fees; (5) geological exploration costs; (6) design fees; (7) requisite expenditures for construction projects which are not specified (payment subject to written consent from Jiangsu Research Institute); (8) EPC management fee (1.5% of the sum of items (1) to (7) above); (9) construction unit management fee (2% of the sum of items (1) to (8) above); and (10) the estimated rent we paid to Dongli New Energy Technology up to the date of the purchase. In light of the above, our Company expects that the purchase price should not exceed RMB105 million.

The main plant in the Relevant Project has been leased to Jiangsu Research Institute for a lease term of three years from November 21, 2020 and ending on November 20, 2023.

The lease under the Lease and Purchase Agreement is recognized as a right-of-use asset in our consolidated statement of financial position in accordance with IFRS 16 “Leases”, which was effective from January 1, 2019. Accordingly, entering into the Lease and Purchase Agreement will be treated as an acquisition of capital assets and a one-off connected transaction rather than a continuing connected transaction. Therefore, the reporting, announcement, annual review and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules will not be applicable.

As of the Latest Practicable Date, our Company has paid the rent in the amount of RMB6.4 million to Dongli New Energy Technology under the Lease and Purchase Agreement in respect of the lease of the Relevant Project.

CONNECTED TRANSACTIONS

FULLY-EXEMPT CONTINUING CONNECTED TRANSACTION

2. Guarantee provided by Jinyuan Investment to Xiamen Company

On March 5, 2021, Jinyuan Investment entered into a guarantee agreement in favour of a group of six banks (the “**Guarantee**”) to secure the due performance of a loan agreement for a principal amount of RMB2.5 billion entered into by Xiamen Company (a wholly-owned subsidiary of our Company) (the “**Xiamen Company Loan**”), the details of which are set forth below:

Maximum total principal amount of guarantee liability of Jinyuan Investment	:	RMB2 billion being 80% of the principal amount of the Xiamen Company Loan
Maximum total principal amount of guarantee liability of our Company	:	RMB500 million being 20% of the principal amount of the Xiamen Company Loan
Term of the Xiamen Company Loan	:	8 years
Annual interest rate of the Xiamen Company Loan	:	the loan prime rate for loans with a maturity of more than 5 years announced by the National Interbank Funding Center on the business day preceding the date on which interests are calculated minus 0.24%
Use of proceeds of the Xiamen Company Loan	:	It is utilised by Xiamen Company in our Xiamen production base
Guarantee period	:	For a period commencing from the date of entering into the guarantee agreement to three years after the expiration of repayment obligation by Xiamen Company under the loan agreement

Reasons for and benefits of entering into the Guarantee and continuing the same upon and subsequent to [REDACTED]

Xiamen Company Loan has provided us as a separate financing channel and we do not intend to discharge the aforementioned guarantee prior to its full redemption or repayment for the following reasons: (i) Xiamen Company Loan is a commercial arrangement beneficial to the Company; (ii) it would be unduly burdensome or commercially undesirable to amend the terms of Xiamen Company Loan agreement; (iii) we have sufficient funds to operate our business independently; and (iv) we are able to obtain other financing from third parties without relying on Jinyuan Investment or other connected person to provide guarantee or security.

The arrangement in respect of the respective guarantee obligation provided by Jinyuan Investment and our Company was set out in the cooperation agreement entered into between our Company and Jinyuan Investment in relation to the Xiamen production base, which is due to the commercial negotiation and arrangement between the two parties.

CONNECTED TRANSACTIONS

Listing Rules Implications

The Guarantee provided by Jinyuan Investment in favour of our Group constitutes financial assistance received by our Group from our connected person, which are on normal commercial terms or better to our Group, and no security over our assets has been granted to Jinyuan Investment in respect of the provision of the Guarantee. Therefore, pursuant to Rule 14A.90 of the Listing Rules, the Guarantee provided by Jinyuan Investment in favor of our Group will be fully exempt from the reporting, annual review, announcement, circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

PARTIALLY-EXEMPT CONTINUING CONNECTED TRANSACTION

3. Sales Framework Agreement

On [●], our Company entered into the sales framework agreement (the “**Sales Framework Agreement**”) with CALB USA as our distributor in the USA, pursuant to which our Group will sell EV batteries to CALB USA for a term of one year commencing from the date of the Sales Framework Agreement. Our Group and CALB USA will enter into specific sales agreement in respect of each transaction. The principal terms of the Sales Framework Agreement and the specific sales agreement are summarized as follows:

Principal terms

Parties	:	(1) Our Company; and (2) CALB USA
Duration	:	One year commencing from the date of the Sales Framework Agreement
Nature of transaction	:	Our Company will sell EV batteries to CALB USA
Pricing policy	:	The sales prices for EV batteries are determined with reference to the sales price to our domestic clients and taking into account of the price premium of the U.S. market
Terms of payment	:	100% prepaid by telegraphic transfer
Condition of delivery	:	Cost, insurance and freight (“ CIF ”)

CONNECTED TRANSACTIONS

Historical amounts

For the years ended December 31, 2019, 2020 and 2021, the total amount we received from CALB USA in respect of the sales of EV batteries was approximately RMB28.9 million, RMB41.2 million and RMB56.7 million, respectively.

Annual cap and basis for annual cap

Our Directors estimate that the revenue to be received by our Company from CALB USA will not exceed RMB120 million for the year ending December 31, 2022.

In determining abovementioned proposed annual cap, our Directors have considered (i) the historical amount of the sales of EV batteries by our Group to CALB USA and their relative average historical selling prices; (ii) the historical growth of the sales of our EV batteries to CALB USA in the past; and (iii) expected growth of production capacity of our Company and the expected growth of our sales to CALB USA in the future.

Reasons for and benefits of entering into the Sales Framework Agreement

Our Directors are of the view that the transactions under the Sales Framework Agreement are to the benefit of our Company because (i) during the Track Record Period, CALB USA has been selling our EV batteries in the U.S., therefore, it has thorough understanding of our products; and (ii) both sides have established a mutual trust relationship during the past cooperation. It is not easy to find a suitable substitute in the market, and therefore it is cost-effective to continue cooperation, which is mutually beneficial for both parties.

Listing Rules implications

As the percentage ratio of the transactions under the Sales Framework Agreement for the year ending December 31, 2022 is expected to be more than 0.1% but less than 5%, such transactions will, upon [REDACTED], constitute continuing connected transactions of our Company and be subject to the reporting, annual review and announcement requirements but exempt from the circular and the independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Waiver Application

As the Sales Framework Agreement will continue after the [REDACTED] on a recurring basis and is expected to extend over a period of time, our Directors consider that strict compliance with the announcement requirement under the Listing Rules would be burdensome and would impose unnecessary administrative costs on our Company each time such transaction arises. Accordingly, pursuant to Rule 14A.105 of the Listing Rules, we [have applied] for, and the Stock Exchange [has granted] to us, a waiver from strict compliance with the announcement requirement under Chapter 14A of the Listing Rules in respect of the Sales Framework Agreement.

CONNECTED TRANSACTIONS

NON-EXEMPT CONTINUING CONNECTED TRANSACTION

4. Entrusted Processing Framework Agreement

On 31 December, 2021, Luoyang Company entered into the entrusted processing framework agreement with our Company, which was amended by a supplemental agreement dated March 3, 2022 (the “**Entrusted Processing Framework Agreement**”), pursuant to which our Company agrees to entrust Luoyang Company and Luoyang Company agrees to provide processing services of EV battery products for civil use and ESS products (collectively referred to as “**Lithium Batteries**”) for our Company for a term of one year commencing from January 1, 2022 and ending on December 31, 2022. Our Group and Luoyang Company will also enter into specific entrusted processing agreement in respect of the detailed terms of the processing services. The principal terms of the Entrusted Processing Framework Agreement and the specific entrusted processing agreement are summarized as follows:

Principal terms

Parties	:	(1) Our Company; and (2) Luoyang Company
Duration	:	One year commencing from January 1, 2022 and ending on December 31, 2022
Nature of transaction	:	We entrust Luoyang Company for the provision of processing service of Lithium Batteries. Luoyang Company will be responsible for the raw materials, front line workers and technicians whose licences and qualifications are approved by us and completing the production and processing.
Pricing policy	:	The fees to be paid for Lithium Batteries are determined with reference to the cost of processing and producing Lithium Batteries and the prevailing market price of processing services in the same or proximity areas charged by independent third parties.
Payment terms	:	We shall pay Luoyang Company in the following manner: (1) prepayment of 60% of the total purchase amount in the last month of each quarter, the amount of which is determined based on the order amount forecasted for the following quarter; and (2) the remaining 40% of the total purchase amount shall be paid on a monthly basis, which is determined based on the verified number of finished goods actually delivered to us.
Quality control	:	Luoyang Company has the obligation to inspect the finished goods according to our quality control standards requirements.

CONNECTED TRANSACTIONS

- Licensing of patent : We grant Luoyang Company the right to use our certain specified patents ("**Authorized Patents**") which are necessary for its provision of Lithium Batteries processing services. In this connection, Luoyang Company undertakes to only use the Authorized Patents for the purpose of the Lithium Batteries processing services under the Entrusted Processing Framework Agreement and that it shall not be entitled to use the Authorized Patents for other purposes unless prior written consent is obtained from us.
- Ownership of intellectual property rights : The intellectual property right(s) and the right(s) to apply for patents in relation to all documents, certificates, drawings and information provided by us and arising from performing the specific entrusted processing agreement shall belong to us.
- Confidentiality : Both parties shall keep trade secrets and confidential information obtained during the cooperation confidential ("**Confidential Information**"). Both parties are considered as the receiving and disclosing parties of the Confidential Information. The receiving party (i) shall keep proper custody of various documents provided by the disclosing party, including but not limited to technical information, technical plan, drawings, quantity and price for processing; (ii) shall return the same back to the disclosing party or destroy the same after completion of usage or upon the request of the disclosing party; and (iii) shall not deal the same at its own discretion without the written consent of the disclosing party.
- Warranties and undertakings by Luoyang Company : Luoyang Company undertakes to our Company that:
- (1) save and except for the contracts which already existed and valid before the date of the Entrusted Processing Framework Agreement, it shall not provide the processing services to any third parties nor shall it manufacture any Lithium Batteries for its own sales in the case where it has any surplus production capacities;
 - (2) during the term of the Entrusted Processing Framework Agreement, it shall use existing product lines and facilities to fulfill its obligations thereunder, and it shall not expand the production capacities for Lithium Batteries unless the expansion is necessary for meeting our demands and a written consent from us having been obtained; and
 - (3) prior to the expiry of the Entrusted Processing Framework Agreement, if Jintan Holding intends to dispose of all or part of its equity interests in Luoyang Company or Luoyang Company intends to dispose of its major assets or business in relation to Lithium Batteries, it shall inform us in a timely manner and we shall have the right of refusal under the same terms and conditions.

CONNECTED TRANSACTIONS

Historical amount

For the three years ended December 31, 2021, the total service fees incurred from entrusted processing services provided by Luoyang Company were nil, nil and approximately RMB206.70 million, respectively.

Annual cap and basis for annual cap

Our Directors estimate that the fees to be incurred under the Entrusted Processing Framework Agreement will not exceed RMB3,500 million for the year ending December 31, 2022. As of the Latest Practicable Date, RMB775.2 million as prepayment has incurred in accordance with the specific entrusted processing agreement.

In determining such proposed annual cap, our Directors have considered (i) the cost of processing and producing EV batteries for civil use and ESS products; (ii) the prevailing market price for the provision of processing service in the same or proximity areas; (iii) the expected production capacity of Luoyang Company; (iv) the historical growth rate of the sales of our EV batteries for civil use and ESS products and estimated demands and growth sales of our EV batteries for civil use and ESS products in the coming year; and (v) our expected production capacity and utilization.

Reasons for and benefits of entering into the Entrusted Processing Framework Agreement

In October 2021 and March 2022, there has been a series of equity changes in Luoyang Company, and upon completion of which, our Company ceased to have any interest in Luoyang Company. As of the Latest Practicable Date, Luoyang Company is owned as to 49% by Jinhang Holding and 51% by Jincheng Technology, a wholly owned subsidiary of Jintan Holding. Please see “History, Development and Corporate Structure – Acquisition and Disposal of Luoyang Company” in this document for further details. To ensure delineation of business and non-competition between our Company and Luoyang Company, we enter into the Non-Competition Agreement with Jintan Group. In addition, we also entered into the Entrusted Processing Framework Agreement with Luoyang Company in order to govern the further entrusted processing arrangement between our Company and Luoyang Company. Please see “Relationship with Jintan Group” for further details.

Our Directors are of the view that the transactions under the Entrusted Processing Framework Agreement are to the benefit of our Company because (i) our current production capacity for manufacturing the EV batteries for civil use and ESS products is insufficient to meet the current and increasing demands of our customers; (ii) entrusted processing arrangement between our Company and Luoyang Company can fully utilize the production capacities of Luoyang Company; and (iii) it is not easy to find a substitute for provision of processing service of EV batteries for civil use and ESS products in the market with similar quality, price and cultivated trust and understanding.

CONNECTED TRANSACTIONS

Listing Rules implications

As the percentage ratio of the transactions under the Entrusted Processing Framework Agreement for the year ending December 31, 2022 is expected to exceed 5%, such transactions will, upon [REDACTED], constitute continuing connected transactions of our Company and be subject to the reporting, annual review, announcement and the independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Waiver Application

As the Entrusted Processing Framework Agreement will continue after the [REDACTED] on a recurring basis and is expected to extend over a period of time, our Directors consider that strict compliance with the announcement and Shareholders’ approval requirement under the Listing Rules would be burdensome and would impose unnecessary administrative costs on our Company each time such transaction arises. Accordingly, pursuant to Rule 14A.105 of the Listing Rules, we [have applied] for, and the Stock Exchange [has granted] to us, a waiver from strict compliance with the announcement and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules in respect of the Entrusted Processing Framework Agreement.

5. The General Contracting Agreements for Construction Projects

The members of our Group, as the developer and Jiangsu Chengdong Construction as the contractor, entered into certain general contracting agreements for construction projects pursuant to which, Jiangsu Chengdong Construction will provide the general contracting services for design, procurement, and construction for certain industrial parks or buildings of our Group.

(1) General Contracting Agreement for Construction Projects I

On December 15, 2020, our Company and Jiangsu Chengdong Construction entered into a general contracting agreement for construction projects (as varied by a tripartite agreement entered into between our Company, Jiangsu Company and Jiangsu Chengdong Construction on January 10, 2022) (the “**General Contracting Agreement for Construction Projects I**”), the principal terms of which are summarized as follows:

Parties : (1) Jiangsu Company and
(2) Jiangsu Chengdong Construction

Estimated construction : 521 days
period

CONNECTED TRANSACTIONS

Nature of the transaction : Jiangsu Chengdong Construction shall provide the general contracting services for design, procurement and construction of the industrial park of our Company, and shall be fully responsible for the quality, safety, construction period, cost, etc. of the general contracted construction project and deliver a qualified construction project after having passed completion acceptance.

Total contract sum : Approximately RMB232.80 million

(2) General Contracting Agreement for Construction Projects II

On September 30, 2021, Jiangsu Research Institute and Jiangsu Chengdong Construction entered into a general contracting agreement for construction projects (the "**General Contracting Agreement for Construction Projects II**"), the principal terms of which are summarized as follows:

Parties : (1) Jiangsu Research Institute and
(2) Jiangsu Chengdong Construction

Estimated construction period : 720 days

Nature of the transaction : Jiangsu Chengdong Construction shall provide the general contracting services for design, procurement and construction of a laboratory building of Jiangsu Research Institute, and shall be responsible for the quality, safety, construction period, cost, etc. of the general contracted construction project and deliver a qualified construction project after having passed completion acceptance.

Total contract sum : Approximately RMB85.65 million

(3) General Contracting Agreement for Construction Projects III

On January 10, 2022, Jiangsu Company and Jiangsu Chengdong Construction entered into a general contracting agreement for construction projects (the "**General Contracting Agreement for Construction Projects III**"), the principal terms of which are summarized as follows:

Parties : (1) Jiangsu Company and
(2) Jiangsu Chengdong Construction

Estimated construction period : 574 days

CONNECTED TRANSACTIONS

Nature of the transaction : Jiangsu Chengdong Construction shall provide the general contracting services for design, procurement and construction for of the newly established EV batteries project and shall be fully responsible for the quality, safety, construction period, cost, etc. of the general contracted construction project and deliver a qualified construction project after having passed completion acceptance.

Total contract sum : Approximately RMB1,138.10 million

(4) General Contracting Agreement for Construction Projects IV

On January 25, 2022, Jiangsu Company and Jiangsu Chengdong Construction entered into a general contracting agreement for construction projects (the “**General Contracting Agreement for Construction Projects IV**”), the principal terms of which are summarized as follows:

Parties : (1) Jiangsu Company and
(2) Jiangsu Chengdong Construction

Estimated construction period : 720 days

Nature of the transaction : Jiangsu Chengdong Construction shall provide the general contracting services for design, procurement and construction of Company production and living facilities of the newly established EV batteries project and shall be fully responsible for the quality, safety, construction period, cost, etc. of the general contracted construction project and deliver a qualified construction projects after having passed completion acceptance.

Total contract sum : Approximately RMB747 million

Pursuant to the General Contracting Agreement for Construction Projects I, General Contracting Agreement for Construction Projects II, General Contracting Agreement for Construction Projects III and General Contracting Agreement for Construction Projects IV (collectively the “**General Contracting Agreements for Construction Projects**”), our Group shall make payment to Jiangsu Chengdong Construction according to the time frame and the progress of the respective construction project.

CONNECTED TRANSACTIONS

Pricing policy

The amount charged by Jiangsu Chengdong Construction under the General Contracting Agreements for Construction Projects are determined through bidding procedure with reference to the prices charged by independent third parties in the area or nearby areas where similar engineering and construction services are provided in the ordinary and usual course business at the relevant time.

Historical amounts

For the three years ended December 31, 2021, the fees incurred from services provided by Jiangsu Chengdong Construction to our Group, including the general contracting services of design, procurement and construction of the Group’s certain industrial parks or buildings were nil, nil and approximately RMB1,058.13 million, respectively.

Annual caps and the basis of annual caps

The Directors estimate that the fees to be incurred by our Group (excluding taxes) under the General Contracting Agreements for Construction Projects for the two years ending December 31, 2023 will not exceed RMB617.23 million and RMB357.75 million, respectively.

In determining the proposed annual caps, our Directors have considered (i) the relevant projects’ construction plan and (ii) the progress and extent of completion of the projects.

Reasons for and Benefits of Entering into General Contracting Agreements for Construction Projects

Our Directors believe that general contracting services provided by Jiangsu Chengdu Construction in respect of design, procurement and construction to certain industrial park or buildings of our Group are in line with our strategy and expansion plan, and lay a solid foundation for the long-term development of our Group, which will have a positive impact on the current and future performance of our Group.

Listing Rules implications

Our Company or our wholly-owned subsidiaries entered into General Contracting Agreements for Construction Projects within a 12-month period in relation to our Group’s procurement of general contracting services including design, procurement and construction from the same connected person. Accordingly, the transactions contemplated under the General Contracting Agreements for Construction Projects shall be aggregated and treated as one transaction for the purpose of calculating the percentage ratio of the continuing connected transactions pursuant to Rule 14A.81 of the Listing Rules.

CONNECTED TRANSACTIONS

As the maximum percentage ratio of the estimated aggregated fees to be incurred (excluding taxes) under the General Contracting Agreements for Construction Projects for the two years ending December 31, 2023 is expected to exceed 5%, the relevant transactions will, upon [REDACTED], constitute continuing connected transactions of our Company, and be subject to the reporting, annual review, announcement and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Waiver Application

As the General Contracting Agreements for Construction Projects will continue after the [REDACTED] on a recurring basis and is expected to extend over a period of time, our Directors consider that strict compliance with the announcement and Shareholders’ approval requirements under the Listing Rules would be burdensome and would impose unnecessary administrative costs on our Company each time such transaction arises. Accordingly, pursuant to Rule 14A.105 of the Listing Rules, we [have applied] for, and the Stock Exchange [has granted] to us, a waiver from strict compliance with the announcement and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules in respect of the General Contracting Agreements for Construction Projects.

DIRECTOR’S VIEW

Our Directors (including our independent non-executive Directors) are of the view that (i) each of the Sales Framework Agreement, the Entrusted Processing Framework Agreement and General Contracting Agreements for Construction Projects and the transactions contemplated thereunder have been entered into in the ordinary and usual course of business of our Group and are based on normal commercial terms that are fair and reasonable and in the interests of our Shareholders as a whole; and (ii) the proposed annual caps for each of the Sales Framework Agreement, the Entrusted Processing Framework Agreement and General Contracting Agreements for Construction Projects are fair and reasonable and in the interests of our Shareholders as a whole.

OPINION OF THE SOLE SPONSOR

Based on the documents and information provided by our Company, the discussions with our Company and the Sole Sponsor’s due diligence work, the Sole Sponsor concurs with our Directors that (i) each of the Sales Framework Agreement, the Entrusted Processing Framework Agreement and General Contracting Agreements for Construction Projects has been entered into in the ordinary and usual course of business of our Group, the terms of which are on normal commercial terms, fair and reasonable and in the interests of our Shareholders as a whole; and (ii) the proposed annual caps for each of the Sales Framework Agreement, the Entrusted Processing Framework Agreement and General Contracting Agreements for Construction Projects are fair and reasonable and in the interest of our Shareholders as a whole.

CONNECTED TRANSACTIONS

INTERNAL CONTROL MEASURES

We will adopt the following internal control and corporate governance measures to closely monitor connected transactions and ensure future compliance with the Listing Rules:

- (1) we will adopt and implement a management system on connected transactions and our Board and various internal departments of our Company will be responsible for the control and daily management in respect of the continuing connected transactions;
- (2) our Board and various other internal departments of our Company (including but not limited to the finance department and legal department) will be jointly responsible for evaluating the terms under the relevant agreements for the continuing connected transactions, in particular, the fairness of the pricing policies and annual caps (if applicable) under each transaction;
- (3) our Board and the finance department of our Group will regularly monitor the connected transactions (including but not limited to transaction amounts and annual caps under the relevant agreements) and our management will regularly review the pricing policies to ensure connected transactions to be performed in accordance with the relevant agreements through the following review procedures:
 - (i) if there are market prices available, they will compare the proposed price with the market price to ensure that the proposed price is equivalent to or no less favorable to us than the price offered by the independent third parties providing similar services. Our Company will make enquiries from certain independent third party service providers for their quotations and conduct internal assessments;
 - (ii) if no market price is available, they will take into account of several factors such as regulatory requirements, actual needs of our Group and the industry position of service provider in determining whether the pricing is fair and reasonable; and
 - (iii) review the proposed price to ensure it is consistent with the pricing terms under the relevant agreements for non-exempt connected transactions, and that the terms offered by the connected person to our Group are no less favorable than those offered by the independent third parties.

CONNECTED TRANSACTIONS

- (4) we shall engage our auditors to, and our independent non-executive Directors will, conduct annual review on the continuing connected transactions to ensure that the transactions contemplated thereunder have been conducted pursuant to the requirements of the Listing Rules and have fulfilled the relevant disclosure requirements;
- (5) we will comply with the relevant requirements under Chapter 14A of the Listing Rules for the continuing connected transactions, and comply with the conditions prescribed under the waiver submitted to the Stock Exchange in connection with the continuing connected transactions in this regard; and
- (6) when considering any renewal or revisions to the framework agreements after the [REDACTED], the interested Directors and Shareholders shall abstain from voting on the resolutions to approve such transactions at Board meetings and general meetings (as the case may be).

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

OVERVIEW

Our Board comprises eight Directors, including two executive Directors, three non-executive Directors and three independent non-executive Directors. Our employee representative Director was elected at the employee representative meeting while other Directors were elected at the Shareholders’ meeting. Our Board is responsible and has general powers for the management and conduct of our business.

The Supervisory Committee currently consists of three Supervisors. The Supervisors include two Shareholder representative Supervisors and one employee representative Supervisor. The Shareholder representative Supervisors and the employee representative Supervisor were elected at the Shareholders’ meetings and the staff representative assembly, respectively. The Supervisory Committee is responsible for supervising our Directors and the senior management of our Company on fulfillment of their duties.

All of our Directors, Supervisors and senior management of our Company have met the qualification requirements under the relevant PRC laws and regulations and the Listing Rules for their respective positions.

DIRECTORS

The following table sets out key information of our Directors:

Name	Age	Date of joining our Group	Date of appointment as Director	Position for the current tenure	Roles and responsibilities	Relationship with other Director(s) or senior management of our Group
Ms. Liu Jingyu (劉靜瑜女士)	51	July 1, 2018	July 20, 2018	Chairwoman of the Board, Executive Director and chief executive officer	Responsible for overall strategic planning and operational decision of our Group	N/A
Mr. Dai Ying (戴穎先生)	43	April 3, 2019	December 2, 2020	Executive Director, vice president and joint company secretary	Responsible for the investment, financing and capital operation of our Group	N/A
Mr. Zhou Sheng (周勝先生)	45	December 8, 2015	December 8, 2015	Non-executive Director	Responsible for providing guidance for the overall development of our Group	N/A

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Age	Date of joining our Group	Date of appointment as Director	Position for the current tenure	Roles and responsibilities	Relationship with other Director(s) or senior management of our Group
Mr. Zhang Guoqing (張國慶先生)	49	August 13, 2019	August 13, 2019	Non-executive Director	Responsible for providing guidance for the overall development of our Group	N/A
Mr. Li Yunxiang (李雲祥先生)	44	August 13, 2019	August 13, 2019	Non-executive Director	Responsible for providing guidance for the overall development of our Group	N/A
Mr. Wu Guangquan (吳光權先生)	59	[●]	[●]	Independent non-executive Director	Providing independent opinion and judgment to the Board, thereby protecting the overall interest of our Company	N/A
Mr. Wang Susheng (王蘇生先生)	52	[●]	[●]	Independent non-executive Director	Providing independent opinion and judgment to the Board, thereby protecting the overall interest of our Company	N/A
Mr. Chen Zetong (陳澤桐先生)	51	[●]	[●]	Independent non-executive Director	Providing independent opinion and judgment to the Board, thereby protecting the overall interest of our Company	N/A

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Executive Directors

Ms. Liu Jingyu (劉靜瑜女士) (former name Liu Caiyu (劉彩瑜)), aged 51, is the chairwoman of our Board, as well as an executive Director and chief executive officer of our Company. Ms. Liu has been a Director of our Company since July 20, 2018, was appointed as the chairwoman of the board of our Company on July 27, 2018 and has been the chief executive officer of our Company since August 6, 2018. Ms. Liu was designated as our executive Director on December 10, 2021. Ms. Liu is also the chairwoman of the board or a Director of Jiangsu Research Institute, Xiamen Company, Jiangsu Company, Shenzhen Research Institute, Wuhan Company, Hefei Company, Chengdu Company, Materials Company, Fujian Company and Jiangmen Company. Ms. Liu also serves as the chairwoman of the board of Jiangsu Power and Energy Storage Battery Innovation Center Co., Ltd.* (江蘇動力及儲能電池創新中心有限公司), an associate of our Company (“**Jiangsu Power**”). Ms. Liu is mainly responsible for overall strategic planning and operational decision of our Group. She is a member of our Nomination Committee and Remuneration Committee.

Ms. Liu has over 18 years of experience in business management. Prior to joining our Group, Ms. Liu, from April 2003 to June 2018, worked in Tianma Microelectronics Co., Ltd.* (天馬微電子股份有限公司), a company whose shares are listed on the Shenzhen Stock Exchange (stock code: 000050) (“**Tianma**”, together with its subsidiaries “**Tianma Group**”), which is principally engaged in the research, manufacturing and sales of liquid-crystal display and its related materials with subsidiaries located in China, Europe, United States, Japan, Korea and India. Ms. Liu had served various positions in Tianma Group and her last position was director and general manager of Tianma. Ms. Liu was mainly responsible for the overall operation and management of Tianma Group and had gained extensive international experience during her tenure in Tianma Group, including mergers and acquisitions in Japan.

Ms. Liu has received many honors including:

- in April 2021, she was awarded the honorary title of “Model Worker in Jintan District of Changzhou City” (常州市金壇區勞動模範) by the People’s Government of Jintan District of Changzhou City;
- in February 2021, she was awarded the honorary title of “Advanced Person Contributing to Jintan District” (貢獻金壇先進人物) by the People’s Government of Jintan District of Changzhou City;
- in November 2020, she was awarded the honorary title of “Women Achievement Model” (巾幗建功標兵) in Jintan District of Changzhou City;
- in February 2020, she was awarded the title of “Excellent Entrepreneur” (優秀企業家) by the People’s Government of Jintan District of Changzhou City;
- in November 2019, she won the award of “LiXiang Person of the Year 2019” (鋰想2019年度人物獎) at the 4th International Summit on EV Battery Application* (第四屆動力電池應用國際峰會);
- in June 2019, she was elected as the chairwoman of the first session of Jiangsu Power and Energy Storage Battery Industry Innovation Alliance* (江蘇省動力及儲能電池產業創新聯盟); and
- in April 2016, she won the first prize of the “Industry Contributing Nation Jade Award”; (產業報國玉獎) awarded by the AVIC.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. Liu has been a senior accountant recognized by the Senior Professional Technical Position Review Committee of China Aviation Industry Corporation I since December 2005 and a certified public accountant recognized by the Shenzhen Institute of Certified Public Accountants since March 2007. Ms. Liu was recognized as a registered valuer by the Shenzhen Association of Registered Asset Appraisers in 2001 and was recognized as a certified tax agent by the Shenzhen Registered Tax Agent Management Center in 2001.

Ms. Liu served as a director in the following companies, which were established in the PRC and dissolved on a voluntary basis by the consent of all shareholders to deregister the companies as these companies had already ceased operation. Ms. Liu confirmed that these companies were solvent at the time of their respective deregistration and their respective deregistration had not resulted in any liability or obligation against her. The table below sets forth further details of the deregistered companies:

Name of company	Position held	Nature of business	Date of dissolution	Method of dissolution
Shenzhen AVIC Optoelectronics Co., Ltd.* (深圳中航光電子有限公司)	Legal representative, executive director and general manager	Design, exports and imports of flat panel displays and related parts	December 13, 2016	Deregistration (註銷)
Continental Kaibo Power System (Changzhou) Co., Ltd.* (大陸凱博動力電源系統(常州)有限公司) (“ Continental Kaibo ”)	Director	Research and development battery management systems	April 22, 2021	Deregistration (註銷)
Shenzhen City Ruishi Touch Technology Co., Ltd.* (深圳市瑞視觸控技術有限公司)	Director	Design and sales of liquid crystal display touch screen, related materials, equipment and products	December 3, 2014	Deregistration (註銷)

Ms. Liu obtained a master’s degree in management majoring in accounting from Dongbei University of Finance and Economics (東北財經大學) in April 2005.

Mr. Dai Ying (戴穎先生), aged 43, is the executive Director (employee representative Director), vice president and joint company secretary of our Company. Mr. Dai has been the vice president of our Company since April 3, 2019 and was appointed as our Director on December 2, 2020 and as our company secretary on [●]. Mr. Dai was designated as our executive Director on December 10, 2021. Mr. Dai also acts as a director of Wuhan Company, Chengdu Company, Hefei Company and Jiangmen Company. Mr. Dai is mainly responsible for the investment, financing and capital operation of our Group.

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Mr. Dai has over 20 years of experience in business management and investment and financing. Prior to joining our Group, Mr. Dai served as the deputy general manager and secretary of the board of directors of Shenzhen Tongyi Industrial Co., Ltd.* (深圳市同益實業股份有限公司) from August 2018 to April 2019, and was responsible for the investment, financing and capital operation. Mr. Dai worked as the secretary of the board of directors in Tianma from November 2016 to January 2018, mainly responsible for the investment, financing and capital operation of Tianma. From April 2014 to January 2018, Mr. Dai served as an assistant president of Tianma. From May 2011 to April 2014, he worked at Ping An Fund Management Co., Ltd.* (平安基金管理有限公司). He worked in Da Cheng Fund Management Co., Ltd.* (大成基金管理有限公司) from October 2009 to May 2011 and worked at Ping An Insurance Company of China, Ltd.* (平安人壽保險股份有限公司) from April 2004 to October 2009. From May 2000 to August 2002, Mr. Dai worked at Yingda Securities Co., Ltd.* (英大證券有限責任公司).

Mr. Dai obtained a bachelor’s degree in economics majoring in International Finance from Zhongnan University of Economics and Law (中南財經政法大學) in June 1999.

Non-executive Directors

Mr. Zhou Sheng (周勝先生) (former name Zhou Zisheng (周子勝)), aged 45, is our non-executive Director. Mr. Zhou has been our Director since December 8, 2015 and was designated as our non-executive Director on December 10, 2021. Mr. Zhou is mainly responsible for providing guidance for the overall development of our Group.

Since April 2017, Mr. Zhou has been the chairman of the board of directors and the legal representative of Jintan Hualuogeng, mainly responsible for the overall management of Jintan Hualuogeng. Prior to joining Jintan Hualuogeng, Mr. Zhou served as the deputy general manager of Jintan Holding from September 2014 to February 2017, where he was mainly responsible for corporate financing and standardized management of funds. He served as the general manager of Jintan Holding from February 2017 to February 2019, and from December 2021 until now, he has been mainly responsible for the overall work of its production, operation and management. Mr. Zhou also worked as the Financial Affairs Office of Jintan Municipal Government* (金壇市政府金融工作辦公室) as deputy director from April 2014 to August 2014, mainly responsible for planning and implementation of the relevant policies in relation to the development of the banking and financing guarantee industries in Jintan District. Mr. Zhou worked at the Finance Bureau of Jintan District* (金壇市財政局) as office director and deputy chief accountant of the budget section from April 2007 to February 2011, and as chief accountant from March 2011 to March 2014, mainly responsible for financial budget management. Prior to that, he worked as general budget accountant and deputy director of Financial Office of Xuebu Town, Jintan City* (金壇市薛埠鎮財政所) from August 1995 to March 2007, mainly responsible for management of financial special funds and internal audit work.

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Mr. Zhou also serves at various positions in Jintan Group and their respective subsidiaries including:

- since January 2022, he has served as an executive director and a legal representative of Changzhou Zhongcheng Industrial Co., Ltd* (常州眾成實業發展有限公司) (“**Changzhou Zhongcheng**”), a subsidiary of Jintan Hualuogeng;
- since December 2021, he has served as an executive director and a legal representative of Jinsha Investment;
- since December 2021, he has served as an executive director and legal representative of Changzhou Jinsha Capital Management Co., Ltd* (常州金沙資金管理有限公司) (“**Jinsha Capital Management**”), a subsidiary of Jintan Holding;
- since October 2021, he has served as an executive director and a legal representative of Jiangsu Jiangnan Clean Energy Research Institute Co., Ltd.* (江蘇江南清潔能源研究院有限公司) (“**Jiangnan Clean Energy**”), a subsidiary of Jintan Hualuogeng;
- since May 2021, he has served as an executive director and a legal representative of Changzhou Huake Zhuolin Industrial Investment Co., Ltd.* (常州華科卓林實業投資有限公司) (“**Huake Zhuolin**”), a subsidiary of Jintan Hualuogeng;
- since December 2020, he has served as a general manager, an executive director and a legal representative of Changzhou Huakewo Industrial Investment Co., Ltd.* (常州華科沃實業投資有限公司), a subsidiary of Huake Engineering;
- since May 2018, he has served as an executive director and legal representative of Changzhou Huakeyi Technology Investment Co., Ltd.* (常州華科易科技投資有限公司), a subsidiary of Huake Engineering;
- since April 2018, he has served as a general manager, executive director and legal representative of Changzhou Huakerui Technology Investment Co., Ltd.* (常州華科瑞科技投資有限公司), a subsidiary of Huake Engineering;
- since January 2018, he has served as chairman of the supervisory committee of Changzhou ECTEK Automotive Electronic Systems Co., Ltd.* (常州易控汽車電子股份有限公司), a company whose Shares are listed on National Equities Exchange and Quotations (全國中小企業股份轉讓系統) (stock code: 870930.OC) and primarily engaged in development and sales of automobile engine and technology promotion services;
- since January 2018, he has served as a director of Jiangsu Chengdong Construction Projects Co., Ltd* (江蘇城東建設工程有限公司), a subsidiary of Jintan Holding;
- since March 2017, he has served as an executive director of Changzhou Huake Venture Capital Co., Ltd.* (常州華科創業投資有限公司) (“**Huake Venture Capital**”), a subsidiary of Jintan Hualuogeng;
- since March 2017, he has served as an executive director and the legal representative of Huake Investment; and
- since March 2017, he has served as an executive director and legal representative of Huake Engineering.

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Mr. Zhou served as legal representative and executive director in the following companies, which were established in the PRC and dissolved on a voluntary basis by the consent of all shareholders to deregister the companies as these companies had already ceased operation. Mr. Zhou confirmed that these companies were solvent at the time of their respective deregistration and their respective deregistration had not resulted in any liability or obligation against him. The table below sets forth further details of the deregistered companies:

Name of company	Position held	Nature of business	Date of dissolution	Method of dissolution
Changzhou Jinsha Network Technology Co., Ltd.* (常州金沙網絡科技有限公司)	Legal representative and executive director	Development and consultation of network technology products	September 4, 2020	Deregistration (註銷)
Jiangsu Jintan Binhu Technology Industry Development Co., Ltd.* (江蘇金壇濱湖科技產業發展有限公司)	Legal representative and executive director	Investment and operation and project management of technology industry projects	September 4, 2020	Deregistration (註銷)
Jiangsu Jintan Maoshan Tourism Investment Development Co., Ltd.* (江蘇金壇茅山旅遊投資發展有限公司)	Legal representative and executive director	Investment, operation and management of tourism projects	September 24, 2020	Deregistration (註銷)

Mr. Zhou obtained a bachelor's degree in economic management from Central Party School College of Correspondence* (中央黨校函授學院) through correspondence study (函授課程) in December 2006.

Mr. Zhang Guoqing (張國慶先生), aged 49, is our non-executive Director. Mr. Zhang has been the Director of our Company since August 13, 2019 and was designated as our non-executive Director on December 10, 2021. Mr. Zhang is responsible for providing guidance for the overall development of our Group.

Since December 2016, Mr. Zhang has served at various positions of Jintan Holding where his current position is deputy party secretary and chairman of the supervisory committee, mainly responsible for the investment of Jintan Holding. Prior to joining Jintan Investment, Mr. Zhang worked in Jintan Huijin Construction Investment Development Co., Ltd.* (金壇市惠金建設投資發展有限公司) from July 2013 to January 2015 and from February 2015 to December 2016, and his last position was deputy general manager and head of the general department. From June 2011 to July 2013, Mr. Zhang worked in Jintan City Finance Bureau as a member of the Economics and Construction Section. From June 2011 to July 2013, Mr. Zhang was a member of the Financial Law Enforcement and Inspection Brigade of Jintan City (金壇市財政執法稽查大隊). From December 2010 to June 2011, Mr. Zhang worked at Jintan Construction and Engineering Group Co., Ltd.* (金壇建工集團有限公司),

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mainly responsible for internal control audit. He also worked at Construction Bureau of Jintan City in Beijing Office* (金壇市建設局駐北京辦事處) from December 2000 to December 2010, and his last position was chief of Financial Section.

Concurrently, Mr. Zhang also serves at various positions in Jintan Group and their respective subsidiaries including:

- since January 2022, he has been a supervisor of Changzhou Zhongcheng;
- since October 2021, he has been a supervisor of Jiangnan Clean Energy;
- since May 2021, he has been a supervisor of Huake Zhuolin. Concurrently, he has been the legal representative and executive director of Changzhou Changjin Technology Investment Co., Ltd.* (常州常金科技投資有限公司), a non-direct subsidiary of Jinsha Investment;
- since April 2021, he has been a supervisor of the following companies:
 - Jintan Holdings
 - Jintan Hualuogeng
 - Jincheng Technology
 - Huake Engineering
 - Jinsha Capital Management
 - Changzhou Jinsha City Development Co., Ltd.* (常州金沙城市開發有限公司), a wholly-owned subsidiary of Jincheng Technology
 - Jiangsu Jintan Zhonghe Investment Co., Ltd.* (江蘇金壇眾合投資有限公司), a subsidiary of Jinsha Investment
 - Huake Venture Capital
 - Jiangsu Changdang Lake Agricultural Technology Industrial Park Co., Ltd.* (江蘇長蕩湖農業科技產業園有限公司)
- since January 2021, he has been a supervisor of Changzhou Yijing Optoelectronics Technology Co., Ltd.* (常州億晶光電科技有限公司);
- since July 2017, he has been an executive director and legal representative of Jiangsu Jintan Financial Guarantee Co., Ltd.* (江蘇金壇融資擔保有限公司), a subsidiary of Jintan Holding;

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- since May 2017, he has been an executive director and legal representative of Changzhou Changjin Technology Investment Co., Ltd.* (常州常金科技投資有限公司) a subsidiary of Jinsha Investment; and
- since May 2017, he has been a director of Jintan Hualuogeng.

Mr. Zhang has been a non practising member of Beijing Institute of Certified Public Accountants in the PRC since September 2010.

Mr. Zhang served as a director in the following companies, which were established in the PRC and dissolved on a voluntary basis by the consent of all shareholders to deregister the companies as these companies had already ceased operation. Mr. Zhang confirmed that these companies were solvent at the time of their respective deregistration and their respective deregistration had not resulted in any liability or obligation against him. The table below sets forth further details of the deregistered companies:

Name of company	Position held	Nature of business	Date of dissolution	Method of dissolution
Jieneng New Energy Technology (Jiangsu) Co., Ltd.* (捷能新能源科技(江蘇)有限公司)	Director	Development of new energy technology and computer hardware and software technology	July 29, 2019	Deregistration (註銷)
Changzhou Jintan Huijin Small and Medium Enterprises Service Co., Ltd.* (常州市金壇區惠金中小企業服務有限公司)	Legal representative and executive director	Investment and operation and project management of technology industry projects	September 8, 2020	Deregistration (註銷)

Mr. Zhang obtained a junior college diploma in infrastructure finance from School of Water Resources, Yangzhou University* (揚州大學水利學院) in June 1994.

Mr. Li Yunxiang (李雲祥先生), aged 44, our non-executive Director. Mr. Li was appointed as our Director on August 13, 2019 and was designated as our non-executive Director on December 10, 2021. Mr. Li is mainly responsible for providing guidance for the overall development of our Group. Mr. Li also serves as a director of Fujian Company.

Since February 2018, Mr. Li has been a member of the party committee and a vice general manager of Jinyuan Investment and mainly responsible for the investment management, financial management and direct equity investment in Jiayuan Investment. Since January 2018, he has been the chairman of Jinyuan Capital Management (Xiamen) Co., Ltd.* (金圓資本管理(廈門)有限公司). From December 2007 to December 2020, Mr. Li served successively as the deputy general manager, general manager and chairman of Xiamen Financing Guarantee Co., Ltd.* (廈門市融資擔保有限公司, formerly known as Xiamen City Guaranty Co., Ltd.* (廈門市擔保有限公司)), and currently serves as a director of this company.

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Mr. Li also serves at various positions in Jinyuan Investment and its subsidiaries including:

- since July 2021, he has served as a director of Zhongbing Shunjing Equity Investment Management Co., Ltd.* (中兵順景股權投資管理有限公司).
- since June 2021, he has served as a director of Xiamen Jinyuan Financial Leasing Co., Ltd.* (廈門金圓融資租賃有限公司); and
- since December 2020, he has served as a director of Fujian Sangang (Group) Co., Ltd.* (福建三鋼(集團)有限公司);
- since June 2020, he has served as the director of Jinyuan President Securities Co., Ltd.* (金圓統一證券有限公司);
- since May 2020, he has served as a director of Xiamen Venture Capital Co., Ltd.* (廈門創業投資有限公司);
- since April 2020, he has served as a director of Qingyuan Technology (Xiamen) Co., Ltd.* (清源科技(廈門)股份有限公司);
- since December 2018, he has served as a director of Jinyuan Industry Equity Investment Co., Ltd.* (廈門金圓股權投資有限公司);
- since June 2018, he has served as a director of Xiamen International Trust Co., Ltd.* (廈門國際信託有限公司);
- since April 2018, he has served as a director of Jinyuan Industry Jinkong Holdings Co., Ltd.* (廈門金圓金控股份有限公司);
- since March 2018, he has served as a director of Xiamen Asset Management Co., Ltd.* (廈門資產管理有限公司);
- since March 2018, he has served as a director of Xiamen Financial Holdings Co., Ltd.* (廈門金融控股有限公司); and
- since January 2018, he has served as the chairman and legal representative of Jinyuan Capital Management (Xiamen) Co., Ltd.* (金圓資本(廈門)有限公司).

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Mr. Li received the honor of “senior elite’ high-level financial talent” *(“高級精英型”高層次金融人才) by the Xiamen Local Financial Supervision and Administration Bureau (廈門市地方金融監督管理局) in October 2020, and was awarded the “Tenth Batch of Top Talents in Xiamen” (“廈門市第十批拔尖人才”) by the Xiamen Municipal People’s Government in October 2019.

Mr. Li obtained a junior college diploma in finance from School of Finance and Economics, Jimei University* (集美大學) in July 1997 and a master’s degree in business management from Xiamen University (廈門大學) in June 2008.

Independent non-executive Directors

Mr. Wu Guangquan (吳光權先生), aged 59, is our independent non-executive Director. Mr. Wu joined our Group and was appointed as an independent non-executive Director on [●]. Mr. Wu is primarily responsible for providing independent advice and judgment to our Board, thereby protecting the overall interest of our Company. Mr. Wu is the chairman of our Remuneration Committee and a member of our Audit Committee and Nomination Committee.

Mr. Wu has accumulated extensive experience in the field of corporate governance and business development through his past experiences. Mr. Wu has served as the chairman of the presidium of China Federation of Industrial Economics (中國工業經濟聯合會) from August 2017, which is a joint organization of the National Industrial Associations (全國工業行業協會) with its goal to actively promote the transformation of China’s industrialization and technology innovation. Since January 2016, he served as chairman of the Council of Federation of Shenzhen Industries (深圳工業總會), an organization aiming to nurture and establish associations of various industries, promote technological innovation and the transformation and upgrading of enterprises in industrial sector. From May 2017 to July 2019, Mr. Wu served as the chairman of the board of directors, and secretary of the leading party member’s sub-group (分黨組書記) at China Aviation Industry General Aircraft Co., Ltd.* (中航通用飛機有限公司) and was mainly responsible for its overall management. From December 2016 to May 2017, he served as special commissioner of AVIC. From February 2010 to December 2016, he worked at AVIC International Holdings Co., Ltd *(中國航空技術國際控股有限公司) (“AVIC International”). During his tenure at AVIC International, he held various positions and his last position was chairman of the board of directors and secretary of leading party sub-group (分黨組書記). From September 2002 to February 2010, Mr. Wu worked at AVIC Technology Shenzhen Limited* (中國航空技術深圳有限公司) (formerly known as AVIC Technology International Holdings Shenzhen Co., Ltd* (中國航空技術國際控股深圳有限公司) (“AVIC Shenzhen”)) where his last position was chairman of the board of directors and general manager. During the term of his office at AVIC Shenzhen, Mr. Wu also served as the chairman of several listed companies under AVIC Shenzhen.

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From May 1997 to September 2002, he served as the general manager of Jiangxi Jiangnan Trust Joint Stock Company Limited* (江西江南信託投資股份有限公司) (formerly known as AVIC Trust Co., Ltd* (中航信託股份有限公司)). From August 1982 to May 1997, Mr. Wu worked at AVIC Shenzhen holding various positions and his last position is deputy general accountant and manager of the financial department. Mr. Wu obtained the qualification of senior accountant from AVIC on February 28, 1996.

Mr. Wu served as a director in the following companies, which were established in the PRC and dissolved on a voluntary basis by the consent of all shareholders to deregister the companies as these companies had already ceased operation. Mr. Wu confirmed that these companies were solvent at the time of their respective deregistration and their respective deregistration had not resulted in any liability or obligation against him. The table below sets forth further details of the deregistered companies:

Name of company	Position held	Nature of business	Date of dissolution	Method of dissolution
Jieneng New Energy Technology (Jiangsu) Co., Ltd.* (共青城西游記文化產業園有限公司)	Legal representative and chief representative	Development and management of cultural industrial park	June 15, 2015	Deregistration (註銷)
Beijing Jiangnan Tianhui Economic Research Co., Ltd.* (北京江南天慧經濟研究有限責任公司)	Legal representative and chairman of the board of directors	Research and development	September 19, 2007	Deregistration (註銷)
Jiangxi Securities Registration Co., Ltd.* (江西省證券登記有限公司)	Shareholder and director	Securities related services	July 31, 2018	Deregistration (註銷)

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Mr. Wu was also a director or legal representative of the following companies, which were established in the PRC and the business license of which had been revoked during his tenure:

Name of the Company	Position held	Date of revocation	Reason for revocation	Outcome/current position
Beijing Jiangrui Culture Development Co., Ltd.* (北京江瑞文化發展有限公司)	Legal representative, executive director and general manager	December 17, 2007	Failure to deregister as required under relevant PRC laws and regulations	The company ceased its business operation prior to revocation of business license. It had been compulsory liquidated and currently has no operation but not yet deregistered.
Beijing Tiger Investment Management Co., Ltd.* (北京老虎投資管理有限公司)	Legal representative	January 10, 2007	Failure to deregister as required under relevant PRC laws and regulations	The company ceased its business operation prior to revocation of business license. It had been compulsory liquidated and currently has no operation but not yet deregistered.

Mr. Wu has confirmed that (i) he was not responsible for company secretarial matters in relation to deregistration, which was assigned to certain specified staff in the respective company; (ii) there was no dishonest or fraudulent act on his part in respect of the revocation of the business license of the above-mentioned companies; and (iii) the respective companies are currently under the process of deregistration. Mr. Wu further confirmed that up to the Latest Practicable Date, he has not received any (i) notice or sanction by any relevant government authorities against him imposing any penalty or order for rectification or alleging that he is personally liable in respect of the revocation of above-mentioned companies; or (ii) notice of disqualification by relevant authorities requiring him to cease to act as director of any PRC company.

Mr. Wu obtained a diploma in industrial accounting from Zhengzhou University of Aeronautics* (鄭州航空工業管理學院) in July 1982 and received a master's degree of business administration from Tongji University (同濟大學) in July 1999.

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Mr. Wang Susheng (王蘇生先生), aged 52, is our independent non-executive Director. Mr. Wang joined our Group and was appointed as our independent non-executive Director on [●]. Mr. Wang is mainly responsible for supervising and providing judgment to our Board, thereby protecting the overall interest of our Company. Mr. Wang is the chairman of our Audit Committee.

Mr. Wang has extensive experience in investment, financial and corporate management. Since April 2017, Mr. Wang has been a professor and doctoral supervisor in the Department of Finance of Southern University of Science and Technology* (南方科技大學). From July 2003 to April 2017, Mr. Wang worked at the Economics and Management School of Harbin Institute of Technology Shenzhen Graduate School* (哈爾濱工業大學深圳研究生院) as a professor.

Mr. Wang also currently serves as independent director at Tianma and other listed companies including:

- Changyuan Technology Group Joint Stock Company Limited* (長園科技集團股份有限公司), a company whose shares are listed on the Shanghai Stock Exchange (stock code: 600525) and principally engaged in the R&D and manufacturing of intelligent digitalization of industrial and power systems;
- Shahe Industrial Co., Ltd* (沙河實業股份有限公司), a company whose shares are listed on the Shenzhen Stock Exchange (stock code: 000014) and principally engaged in real estate development and operation; and
- Guangdong Wedge Co., Ltd* (廣東萬澤實業股份有限公司), a company whose shares are listed on the Shenzhen Stock Exchange (stock code: 000534) and principally engaged in real estate development.

Mr. Wang has been qualified as a certified public accountant (non-practising member) in the PRC since May 1997.

Mr. Wang was a director of the following company, which was established in the PRC and the business license of which had been revoked during his tenure.

Name of the Company	Position held	Date of revocation	Reason for revocation	Outcome/current position
Shenzhen Jingshi Yongdao investment Co., Ltd.* (深圳市經世永道投資有限公司)	Legal representative, chairman of the board of directors	November 4, 1998	Failure to conduct annual inspection as required under the relevant PRC laws and regulations	The company ceased its business operation prior to revocation of business license. It has no operation but not yet deregistered.

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Mr. Wang has confirmed that (i) he was not responsible for company secretarial matters such as conducting annual inspection, which was assigned to certain specified staff in the above-mentioned company; and (ii) there was no dishonest or fraudulent act on his part in respect of the revocation of the business license of the above-mentioned company. Mr. Wang further confirmed that up to the Latest Practicable Date, he has not received any (i) notice or sanction by any relevant government authorities against him imposing any penalty or order for rectification or alleging that he is personally liable in respect of the revocation of above-mentioned company; or (ii) notice of disqualification by relevant authorities requiring him to cease to act as director of any PRC company.

Mr. Wang graduated with a bachelor of science degree from Changsha Electric Power College* (長沙電力學院) in July 1991 and he graduated from Renmin University of China (中國人民大學) with a master’s degree in economics in 1994. Mr. Wang received his doctor of law degree in international economic law from School of Law, Peking University (北京大學) in July 2000 and postdoctoral degree in management from School of Economics and Management, Tsinghua University (清華大學) in July 2002. Mr. Wang also held a master’s degree in business administration from University of Chicago in May 2004.

Mr. Chen Zetong (陳澤桐先生), aged 51, is our independent non-executive Director. Mr. Chen joined our Group and was appointed as our independent non-executive Director on [●]. Mr. Chen is mainly responsible for supervising and providing judgment to our Board, thereby protecting the overall interest of our Company. Mr. Chen is the chairman of our Nomination Committee and a member of our Audit Committee and Remuneration Committee.

Mr. Chen has extensive experience on providing advice on corporate finance, dispute resolution and mergers and acquisition for listed companies and State-owned enterprises. Since August 2012, Mr. Chen has been a senior partner at Junzejun Law Offices (君澤君律師事務所). From 2010 to 2012, Mr. Chen was a counsel at King & Wood Mallesons (金杜律師事務所). From 1994 to 2010, Mr. Chen served at various positions at Shenzhen Intermediate People’s Court where his last position was deputy chief judge at the Company Liquidation and Bankruptcy Tribunal of Shenzhen Intermediate People’s Court* (深圳市中級人民法院(公司清算與破產審判庭)). From April 2014 to June 2020, he served as an independent director of Hubei Sanxia New Building Materials Co., Ltd. (湖北三峽新型建材股份有限公司) (“**Sanxia New Materials**”), a company whose shares are listed on the Shanghai Stock Exchange (stock code: 600293). From November 2016 to 2019, Mr. Chen served as an independent non-executive director of Hong Kong New Sports Group Limited, a company whose shares are listed on the Main Board of Stock Exchange (currently known as Glory Sun Land Group Limited) (stock code: 00299).

Mr. Chen also currently serves as independent director at Tianma and other companies including:

- Sino Life Insurance Co., Ltd* (生命人壽保險有限公司);
- Sino Life Asset Management Co., Ltd* (生命保險資產管理有限公司);

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- Sino Life Insurance Holding Joint Stock Limited Company* (生命保險控股股份有限公司); and
- Shenzhen Nanshan Power Co., Ltd* (深圳南山熱電股份有限公司), a company whose shares are listed on Shenzhen Stock Exchange (stock code: 000037) and principally engaged in production and operation of power supply, heating and general contracting of construction projects of power plants.

Mr. Chen is a registered foreign lawyer in Hong Kong, and a member of the Law Society of Hong Kong. He is also a qualified lawyer in the PRC. Mr. Chen is an arbitrator at China International Economic and Trade Arbitration Commission (中國國際經濟貿易仲裁委員會) and Shenzhen Court of International Arbitration (深圳國際仲裁院).

Mr. Chen graduated from Southwest University of Political Science & Law (西南政法大學) with a bachelor’s degree in economic law in July 1994 and received his master’s degree in common law from University of Hong Kong in December 2003. He also obtained a doctoral degree in civil and commercial law from Jilin University (吉林大學) in December 2008.

Further information about Mr. Chen Zetong

During his tenure at Sanxia New Materials, Sanxia New Materials, together with all its then directors, including Mr. Chen received a warning letter from Hubei Regulatory Bureau of CSRC (中國證券監督管理委員會湖北監管局) on October 13, 2020 regarding Sanxia New Material’s failure to timely conduct relevant procedures in respect of the alternation of original proposal on share repurchase and the publication of an announcement regarding the reasons for not implementing the share repurchase (“**Incident**”).

Notwithstanding the Incident, our Directors consider that Mr. Chen is competent and able to fulfil his duties of care and diligence, and hence is suitable to act as an independent non-executive Director as he possesses the experience, knowledge and skill as well as the character to be a Director for the following reasons:

- (i) as advised by our PRC Legal Advisor, the issuance of the warning letter is purely a regulatory measure, which is different from an administrative penalty;
- (ii) as further advised by our PRC Legal Advisor, such regulatory measure did not disqualify Mr. Chen from acting as a director or senior management officer of any PRC company under the PRC Company Law;
- (iii) Mr. Chen was acting as an independent director and was not responsible for the day-to-day management of Sanxia New Materials and its subsidiaries. He had no prior knowledge of the executive directors’ or senior management’s failure to timely implement the share repurchase, and hence was not directly responsible for the Incident;

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- (iv) the Incident did not raise any concern over the issue of integrity or character of Mr. Chen and there is no evidence that the Incident involved any act of dishonesty, fraud or suggested any issue of integrity on the part of Mr. Chen which would affect his suitability to act as an independent non-executive Director;
- (v) there were no civil actions or administrative or criminal punishments taken by any regulatory authority or stock exchange against Mr. Chen in respect of the Incident; and
- (vi) no regulatory authority or stock exchange disqualified Mr. Chen from acting as an independent director of Sanxia New Materials as a consequence of the Incident and he is still serving as independent director for A-share listed companies in the PRC.

SUPERVISORS

The following table sets out key information of our Supervisors:

Name	Age	Date of joining our Group	Date of appointment as Supervisor	Position for the current tenure	Roles and responsibilities	Relationship with other Director(s) or senior management of our Group
Mr. Jiang Jinhua (姜金華先生)	49	February 7, 2021	February 7, 2021	Shareholder representative Supervisor and chairman of the Supervisory Committee	Responsible for supervising our Directors and senior management of our Company on fulfillment of their duties	N/A
Ms. Cheng Yan (程雁女士)	47	August 13, 2019	August 13, 2019	Shareholder representative Supervisor	Responsible for supervising our Directors and senior management of our Company on fulfillment of their duties	N/A
Ms. Nian Mingzhu (念明珠女士)	34	July 15, 2019	September 15, 2020	Employee representative Supervisor	Responsible for supervising our Directors and senior management of our Company on fulfillment of their duties	N/A

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Mr. Jiang Jinhua (姜金華先生), aged 49, is our Shareholder representative Supervisor and chairman of the Supervisory Committee. Mr. Jiang joined our Group on February 7, 2021 and was appointed as our Supervisor on the same day. Mr. Jiang is mainly responsible for supervising our Directors and senior management of our Company on fulfillment of their duties.

Since December 2020, Mr. Jiang has been the party secretary and chairman of the board of directors for Jintan Holding, and is mainly responsible for the party committee work of Jintan Holding. Since September 2021, Mr. Jiang has been the executive director and general manager of Jiangsu Jintan Zhonghe Investment Co., Ltd. Prior to joining our Group, Mr. Jiang served as party working committee secretary (黨工委書記) at Xicheng Sub-District of Jintan District* (金壇區西城街道) from March 2019 to December 2020. From May 2017 to March 2019, he was the director of the district committee office of Jintan District Committee Office* (金壇區委辦公室) where he was primarily responsible for the overall work and reform of the Jintan District Committee Office. Prior to that, he worked as deputy secretary of the party committee and town mayor (黨委副書記及鎮長) of Zhiqian Town, Jintan District* (金壇區指前鎮) from December 2013 to May 2017. From August 2006 to December 2013, Mr. Jiang worked at various positions at party committee of Jincheng Town, Jintan District* (金壇區金城鎮黨委) where his last position was deputy secretary of the party committee (黨委副書記) and director of Political Consultation Conference Working Committee (政協工委主任) of Jincheng Town of Jintan District, and is mainly responsible for the party building and work of the Political Consultative Conference Working Committee of Jincheng Town.

Mr. Jiang received his bachelor’s degree in fine chemicals from Jiangsu Institute of Petrochemical Technology* (江蘇石油化工學院), (currently known as Changzhou University (常州大學)) in June 1996.

Ms. Cheng Yan (程雁女士), aged 47, is our Shareholder representative Supervisor. Ms. Cheng joined our Group on August 13, 2019 and was appointed as our Supervisor on the same day. Ms. Cheng is mainly responsible for supervising our Directors and senior management of our Company fulfillment of their duties.

Ms. Cheng possesses extensive experience in the fields of financial and corporate governance. Ms. Cheng joined Chengfei Integration, a company primarily engaged in the design, development and manufacturing of the tools and dies, with typical products such as the dies for the large and high-grade outer skin panels used in medium and high-grade cars and has successively been the vice general manager, financial manager, board secretary and director of Chengfei Integration. Ms. Cheng is mainly responsible for Chengfei Integration’s finance work, information disclosure related matters, management of relationship with investors and dealing with matters in relation to the board meetings.

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Ms. Cheng has received a number of awards over the years including:

- excellent Board Secretary of Listed Companies in Sichuan Province of the Year (四川上市公司年度優秀董事會秘書) for years of 2016, 2015 and 2013 awarded by Sichuan Association of Listed Companies in October 2017, July 2016 and July 2014 respectively;
- top 100 Board Secretaries of Listed Companies in China’s Small and Medium Enterprise Board 2011 (2011中國中小板上市公司百佳董秘) awarded by Securities Times in 2012; and
- excellent Board Secretaries of Listed Companies in China’s Small and Medium Enterprise Board 2010 (2010中國中小板上市公司百佳董秘) awarded by Securities Times in 2010.

Ms. Cheng has been a Senior International Finance Manager (高級國際財務管理師) jointly recognized by International Financial Management Association and China Association of Chief Financial Officers since June 2010. She has also been a Senior Economist (高級經濟師) recognized by Ministry of Human Resources and Social Security of the PRC since September 2020.

Ms. Cheng graduated from Northwestern Polytechnical University (西北工業大學) with a bachelor’s degree in machinery manufacturing process and equipment in July 1996, and she has obtained a master’s degree in business administration from Southwestern University of Finance and Economics (西南財經大學) in December 2001.

Ms. Nian Mingzhu (念明珠女士), aged 34, is our employee representative Supervisor. Ms. Nian joined our Group on July 15, 2019 and was appointed as our Supervisor on September 15, 2020. She is mainly responsible for supervising our Directors and senior management of our Company on fulfillment of their duties. Apart from being our Supervisor, she worked as an equipment procurement director at Xiamen Company from July 2019 to September 2020 and has been the equipment procurement director of our Company since September 2020. Ms. Nian is mainly responsible for supervising our Group’s equipment procurement. Ms. Nian also serves as a supervisor for Hefei Company, Chengdu Company, Shenzhen Research Institute, Xiamen Company, Fujian Company and Jiangmen Company.

Prior to joining our Group, Ms. Nian worked at Xiamen Tianma Microelectronics Co., Ltd.* (廈門天馬微電子有限公司), a subsidiary of Tianma, successively as capital accountant, asset accountant and auditor from July 2011 to July 2019 and was mainly responsible for its daily capital management, asset accounting, annual audit of the financial statements of overseas subsidiaries, various special management audits and accountability audits of the senior management.

Ms. Nian obtained her bachelor’s degree in financial management from Fujian Normal University (福建師範大學) in June 2011.

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Other disclosure pursuant to Rule 13.51(2) of the Listing Rules

Save as disclosed above, each of our Directors and Supervisors confirmed with respect to himself/herself that: (i) he/she has not hold other positions in our Company or other members of our Group as of the Latest Practicable Date; (ii) does not have any relationship with any other Directors, senior management or Substantial Shareholders of our Company as of the Latest Practicable Date; and (iii) he/she does not hold any directorships in other listed companies in the three years prior to the date of this document. Immediately following completion of the [REDACTED], save for the interests in the Shares which are disclosed in “4. Disclosure of Interests – B. Directors, Supervisors or Chief Executive of our Company” in Appendix VI to this document, each of our Directors will not have any interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed herein this document, none of our Directors have any interests in any business apart from the business of our Group which competes or is likely to compete, either directly or indirectly, with business of our Group. Please see Appendix VI to this document for further information about our Directors or Supervisors.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there were no other matters with respect to the appointment of our Directors or Supervisors that need to be brought to the attention of our Shareholders and there was no information relating to our Directors or Supervisors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

SENIOR MANAGEMENT

The following table shows the key information of our senior management:

Name	Age	Date of joining our Group	Date of appointment of as senior management	Position for the current tenure	Roles and responsibilities	Relationship with other Director(s) or senior management of our Group
Ms. Liu Jingyu (劉靜瑜女士)	51	July 1, 2018	August 6, 2018	Chairwoman of the Board, Executive Director and chief executive officer	Responsible for overall strategic planning and operational decision of our Group	N/A
Dr. Pan Fangfang (潘芳芳博士)	37	December 8, 2015	September 5, 2019	Vice president, chief technology officer	Responsible for the R&D, intellectual property and quality control of our Group	N/A

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Name	Age	Date of joining our Group	Date of appointment of as senior management	Position for the current tenure	Roles and responsibilities	Relationship with other Director(s) or senior management of our Group
Mr. Dai Ying (戴穎先生)	43	April 3, 2019	April 3, 2019	Executive Director, vice president and joint company secretary	Responsible for the investment, financing and capital operation of our Group	N/A
Mr. Geng Yan'an (耿言安先生)	39	July 1, 2018	August 6, 2018	Vice president	Responsible for the procurement and information technology work of our Group	N/A
Ms. Gao Yan (高艷女士)	38	April 20, 2020	April 25, 2020	Vice president	Responsible for the financial and human resources of our Group	N/A
Mr. Wang Xiaoqiang (王小強先生)	37	December 8, 2015	November 15, 2021	Vice president	Responsible for the manufacturing and environmental safety of our Group	N/A
Mr. He Fan (何凡先生)	44	August 20, 2018	November 15, 2021	Vice president	Responsible for the engineering construction of our Group	N/A
Mr. Xie Qiu (謝秋先生)	39	December 8, 2015	November 15, 2021	Vice president	Responsible for the sales of in-vehicle business of our Group	N/A

Ms. Liu Jingyu (劉靜瑜女士), aged 51, is the chairwoman of the Board, our executive Director and chief executive officer of our Company. For the biography of Ms. Liu, please see “Directors – Executive Directors” of this section.

Dr. Pan Fangfang (潘芳芳博士), aged 37, joined our Group on December 8, 2015 and was appointed as vice president and chief technology officer of our Company on September 5, 2019. She is mainly responsible for the R&D, intellectual property and quality control of our Group. Dr. Pan has also been the general manager of Shenzhen Research Institute since January 3, 2020.

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Dr. Pan has over ten years of experience in the R&D of battery. From July 2011 to April 2019, she successively served as the director of the battery materials office, the director of the battery design office, the director of the battery design institute, the project chief engineer, the deputy chief engineer and the chief technology officer of Luoyang Company, and was mainly responsible for material R&D, battery products development, scientific research management and major project research.

In September 2017, Dr. Pan obtained the qualification of a senior engineer awarded by AVIC.

Dr. Pan received many honors, including:

- in February 2021, she was awarded the honorary title of “2020 Outstanding Entrepreneur” (2020年度優秀企業家) by the People’s Government of Jintan District, Changzhou City;
- in February 2021, she was awarded the honorary title of “2016-2020 Advanced Person of Moving Jintan” (2016-2020年感動金壇先進人物) by the People’s Government of Jintan District, Changzhou City;
- in June 2019, she was appointed as a member of the Technical Committee of Jiangsu Power and Energy Storage Battery Industry Innovation Alliance* (江蘇省動力及儲能電池產業創新聯盟技術委員會);
- in April 2019, she was awarded the honorary title of “Outstanding Expert of Luoyang City” (洛陽市優秀專家) by the People’s Government of Luoyang City;
- in January 2019, she was awarded the honorary title of “Leader of Academic Technology in Henan Province” (河南省學術技術帶頭人) by the People’s Government of Henan Province;
- in January 2019, she was awarded the second prize of Henan Science and Technology Progress Award (河南省科學技術進步獎) by the People’s Government of Henan Province for the project of “Technology Development of High Specific Energy EV Battery Based on Hybrid Cathode Material” (基於混合正極材料的高比能量動力電池技術開發);
- in October 2017, she was awarded the honorary title of “Winner of Luoyang Youth Science and Technology Award” (洛陽市青年科技獎獲獎者) by the Luoyang Talent Work Leading Group (洛陽市人才工作領導小組);
- in September 2017, she was awarded the second prize of the Fujian Science and Technology Progress Award by the People’s Government of Fujian Province (福建省科學技術進步獎) for the project of “High-Safety Ceramic Separator and Its Application in Power Lithium-ion Batteries” (高安全陶瓷隔膜及其在動力鋰離子電池中的應用);

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- in December 2016, she was awarded the second prize of Henan Science and Technology Progress Award (河南省科學技術進步獎) by the People’s Government of Henan Province for the project of “High Safety CAM72FI Metal Shell Lithium-ion EV Battery” (高安全性CAM72FI金屬殼鋰離子動力電池);
- in July 2015, she was awarded the first prize of the Luoyang Science and Technology Progress Award (洛陽市科學技術進步獎) by the Luoyang Municipal People’s Government for the project of “CAM72FI Metal Shell Battery Development” (CAM72FI金屬殼電池研製); and
- in March 2015, she was awarded the honorary title of “Outstanding Scientific and Technological Worker” (優秀科技工作者) by AVIC.

Dr. Pan obtained her doctoral degree in physical chemistry from University of Science and Technology of China (中國科學技術大學) in June 2011.

Mr. Dai Ying (戴穎先生), aged 43, is our executive Director (employee representative Director), vice president and joint company secretary of our Company. For the biography of Mr. Dai, please see “Directors – Executive Directors” of this section.

Mr. Geng Yan’an (耿言安先生), aged 39, joined our Group on July 1, 2018 and was appointed as vice president on August 6, 2018, responsible for the procurement and information technology work of our Group. Mr. Geng is also the general manager of Chengdu Company and the manager of Materials Company.

Prior to joining our Group, Mr. Geng served as assistant president at Tianma from February 2014 to January 2018 and was mainly responsible for Tianma’s engagement of finance and information technology, during which time he was also responsible for procurement, business management and administrative management. He also served as the financial controller of Tianma from January 2012 to January 2014. From October 2010 to December 2011, Mr. Geng served as the financial controller at Shanghai AVIC Optoelectronics Co., Ltd.* (上海中航光電子有限公司). From February 2009 to December 2011, he worked as the financial controller at Chengdu Tianma Microelectronics Co., Ltd.* (成都天馬微電子股份有限公司), a subsidiary of Tianma. From January 2007 to January 2009, he worked as a financial accountant of Shanghai Tianma Microelectronics Co., Ltd.* (上海天馬微電子股份有限公司), a subsidiary of Tianma.

Mr. Geng earned his bachelor’s degree of management in accounting from Anhui University of Technology (安徽工業大學) in July 2003.

Ms. Gao Yan (高豔女士), aged 38, joined our Group on April 20, 2020 and was appointed as vice president on April 25, 2020. Ms. Gao is the financial controller of our Group and mainly responsible for the financial and human resources of our Group. She also acts as a director of Chengdu Company.

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Ms. Gao has over 13 years of experience in finance. Prior to joining our Group, she worked successively at Tianma as a financial accountant from April 2008 to May 2010, as a financial manager from June 2010 to April 2015 and as financial controller from May 2015 to April 2020, where she was primarily responsible for the operation of accounting body of Tianma.

Ms. Gao obtained her bachelor’s and master’s degree of management in accounting from Central South University (中南大學) in June 2005 and December 2007, respectively.

Mr. Wang Xiaoqiang (王小強先生), aged 37, joined our Group on December 8, 2015 and was appointed as vice president of our Company on November 15, 2021. Mr. Wang is mainly responsible for the manufacturing and environmental safety of our Group. Mr. Wang has been the general manager of Jiangsu Research Institute since June 23, 2021 and has served as deputy secretary of the party committee and deputy dean of research institute of our Company since September 2018. Mr. Wang also serves as the legal representative, director and general manager of Jiangsu Power.

Mr. Wang served as vice general manager of Jiangsu Research Institute from October 2015 to August 2018, and was mainly responsible for the relevant engagement of our Company’s overall operation and manufacturing. From August 2013 to September 2015, he had successively served as vice general manager and general manager of the manufacturing department at Luoyang Company and was mainly responsible for the engagement of crafts technology, equipment technology and manufacturing management. He served as the plant manager at the One Factory* (精益一廠) of the manufacturing department of Luoyang Company from September 2011 to July 2013 and was mainly responsible for production management of the sub-factory. He also served as engineer at the process technology department of Luoyang Company from October 2010 to August 2011 and was mainly responsible for the engagement of crafts development. Prior to joining of Luoyang Company, he served as technical engineer at Stainless Steel Tubes & Pipes Co., Tisco* (山西太鋼不銹鋼鋼管有限公司) from July 2009 to October 2010 and was mainly responsible for workshop crafts.

Mr. Wang served as a director in the following company, which was established in the PRC and dissolved on a voluntary basis by the consent of all shareholders to deregister the company as such company had ceased operation. Mr. Wang confirmed that such company was solvent at the time of its deregistration and its deregistration had not resulted in any liability or obligation against him. The table below sets forth further details of the deregistered company:

Name of company	Position held	Nature of business	Date of dissolution	Method of dissolution
Continental Kaibo	Director	Research and development battery management systems	April 22, 2021	Deregistration (註銷)

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Mr. Wang obtained a bachelor’s degree in material science and engineering from Zhengzhou University (鄭州大學) in July 2006 and a master’s degree in material science from University of Science and Technology Beijing (北京科技大學) in June 2009.

Mr. He Fan (何凡先生), aged 44, joined our Group on August 20, 2018 and was appointed as vice president of our Company on November 15, 2021. Mr. He is responsible for the engineering construction of our group. Mr. He also acts as the general manager of Wuhan Company.

Before being appointed as vice president of our Company, Mr. He acted as the assistant to general manager of our Company from August 2018 to November 2021 and was mainly responsible for engineering and construction. Prior to joining our Group, Mr. He had successively served as senior manager of factory affairs, deputy director of factory affairs, and director of factory affairs in Tianma from July 2011 to November 2017 and was mainly responsible for project construction and operation management. From April 2007 to June 2011, he had successively served as environment safety engineer and environment safety manager in Tianma.

Mr. He obtained his bachelor’s degree in environment engineer from Suzhou Urban Construction and Environmental Protection Institute* (蘇州城建環保學院) in June 2001.

Mr. Xie Qiu (謝秋先生), aged 39, joined our Group on December 8, 2015 and was appointed as vice president of our Company on November 15, 2021. Mr. Xie is mainly responsible for the sales of in-vehicle business of our Group.

Before being appointed as vice president of our Company, Mr. Xie acted as the assistant to general manager of our Company from July 2019 to October 2021 and was mainly responsible for sales of domestic passenger vehicles. From January 2019 to June 2019, he was a senior product director of marketing center of our Company and was mainly responsible for development of passenger vehicle products. Prior to joining our Group, Mr. Xie had successively served as the head of engineering department, the deputy president of technology research institute and the deputy chief engineer of the science and technology department at Luoyang Company from September 2008 and December 2018, and was mainly responsible for project management and development of battery pack products. From November 2007 to August 2008, he served as an engineer in the engineering department at Luoyang Company, and was mainly responsible for the development of battery pack products. From August 2006 to October 2007, Mr. Xie served as an engineer at the engineering department of Cama (Luoyang) Electromechanic Co., Ltd.* (凱邁(洛陽)機電有限公司) and was responsible for product development.

Mr. Xie has obtained the qualification of senior engineer from AVIC in 2016. He received the first prize of Luoyang Science and Technology Progress Award (洛陽市科學技術進步獎) for the project “research on lithium energy storage technology of large-scale wind-solar storage and transportation system*” (大規模風光儲輸綜合系統鋰電儲能技術研究) awarded by People’s Government of Luoyang City in June 2016. He was also awarded the AVIC Science

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and Technology Award* (中航工業集團科學技術獎) for the project “High reliability CA60F I lithium-ion EV battery*” (高可靠性CA60F I鋰離子動力電池) by AVIC in December 2015. In January 2014, he was awarded the second prize of the Science and Technology Progress Award of Henan Province (河南省科學技術進步獎) by the People’s Government of Henan Province for the project of “Megawatt-level Lithium-ion Battery Grid Peak-shaving Energy Storage System” (兆瓦級鋰離子電池電網調峰儲能系統).

Mr. Xie obtained his bachelor’s engineering degree in computer science and technology from Harbin Engineering University (哈爾濱工程大學) in June 2006.

JOINT COMPANY SECRETARIES

Mr. Dai Ying (戴穎先生) was appointed as one of the joint company secretaries of our Company on [●]. For the biography of Mr. Dai, please see “Directors – Executive Directors” of this section.

Mr. Cheung Kai Cheong Willie (張啟昌先生) was appointed as the other joint company secretary of our Company [●], effective upon [REDACTED]. Mr. Cheung is a manager of SWCS Corporate Services Group (Hong Kong) Limited mainly responsible for assisting listed companies in professional company secretarial work. Prior to joining SWCS Corporate Services Group (Hong Kong) Limited, Mr. Cheung served as the company secretary of certain companies, each of which is listed on the Stock Exchange. Mr. Cheung is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in the United Kingdom.

Mr. Cheung obtained a Bachelor Degree of Arts (Honors) in Accounting and Finance at the University of Glamorgan in the United Kingdom in June 1996.

BOARD COMMITTEES

The Board delegates certain responsibilities to various dedicated committees in accordance with relevant PRC laws, regulations, the Articles of Association and the Listing Rules, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee. The appointment of the respective committee members were approved by the Shareholders at the Shareholders’ general meeting on December 25, 2021.

Audit Committee

We have established an Audit Committee in compliance with Rule 3.21 of the Listing Rules and with written terms of reference in compliance with paragraph C.3 of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The primary duties of our Audit Committee are, among other things, to make recommendations to our Board on the appointment and removal of external auditors; review the financial statements and material advice in respect of financial reporting; and oversee internal control procedures of our Company.

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Our Audit Committee comprises of three members, namely Mr. Wang Susheng, Mr. Wu Guangquan and Mr. Chen Zetong. Mr. Wang Susheng is the chairman of our Audit Committee, who is an independent non-executive Director with the appropriate accounting and related financial management expertise as required under Rules 3.10(2) and 3.21 of the Listing Rules.

Remuneration Committee

We have established a Remuneration Committee in compliance with Rule 3.25 of the Listing Rules and with written terms of reference in compliance with paragraph B.1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of our Remuneration Committee, among other things, are to make recommendations to our Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group; review performance-based remuneration; and ensure none of our Directors determine their own remuneration.

Our Remuneration Committee comprises of three members, namely Mr. Wu Guangquan, Ms. Liu Jingyu, and Mr. Chen Zetong. Mr. Wu Guangquan is the chairman of our Remuneration Committee.

Nomination Committee

We have established a Nomination Committee in compliance with Rule 3.27A of the Listing Rules and with written terms of reference in compliance with paragraph A.5 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of our Nomination Committee are, among other things, to review the structure, size and composition of our Board and our board diversity policy on a regular basis; identify individuals suitably qualified to become Board members; assess the independence of independent non-executive Directors; and make recommendations to our Board on relevant matters relating to the appointment or re-appointment of Directors.

Our Nomination Committee comprises of three members, namely Mr. Chen Zetong, Ms. Liu Jingyu and Mr. Wu Guangquan. Mr. Chen Zetong is the chairman of our Nomination Committee.

BOARD DIVERSITY POLICY

We [have adopted] a board diversity policy (the “**Board Diversity Policy**”) which sets out the objective and approach to achieve and maintain diversity of our Board in order to enhance the effectiveness of our Board. Pursuant to the Board Diversity Policy, we seek to achieve diversity of our Board through the consideration of a number of factors when selecting candidates to our Board, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service. Our Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level, including gender diversity, as an essential element in maintaining our Company’s competitive advantage and enhancing its ability to attract talents

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and to retain and motivate employees. We have also taken, and will continue to take steps to promote gender diversity at all levels of our Company, including but not limited to our Board and the senior management levels.

Our Directors have a balanced mix of knowledge and skills, including in management, strategic and business development, sales, legal compliance and corporate investment and finance. The ages of our Directors range from 43 years old to 59 years old, and we have both male and female representatives on the Board. Our nomination committee will review and assesses the composition of the Board and make recommendations to the Board on appointment of members of the Board. Meanwhile, our nomination committee will consider the benefits of all aspects of diversity, including without limitation, professional experience, skills, knowledge, education background, age, gender, cultural and ethnicity and length of service, in order to maintain an appropriate range and balance of talents, skills, experience and diversity of perspectives on the Board.

COMPLIANCE ADVISOR

We have appointed Maxa Capital Limited as our compliance advisor upon the [REDACTED] pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our compliance advisor will advise us when we consult our compliance advisor in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction under the Listing Rules, is contemplated by our Group, including share issues and share repurchases;
- (iii) where our Group proposes to use the proceeds of the [REDACTED] in a manner different from that detailed in this document or where our Group's business activities, developments or results of operation deviate from any forecast, estimate or other information in this document; and
- (iv) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares.

The terms of appointment of the compliance advisor shall commence on the [REDACTED] and end on the date on which our Group complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the [REDACTED] and such appointment may be subject to extension by mutual agreement.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Our Company recognizes the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group so as to achieve effective accountability.

According to paragraph A.2.1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, the role of the chairman and chief executive officer of a company should be separate and should not be performed by the same individual.

Our Directors believe that vesting the roles of both chairwoman of the Board and chief executive officer in the same person has the benefit of ensuring consistent leadership within our Group and enables more effective and efficient overall strategic planning for our Group. Our Directors consider that the balance of power and authority for the present arrangement will not be impaired, and this structure will enable our Company to make and implement decisions promptly and effectively. Under the leadership of Ms. Liu Jingyu, our Board works efficiently and performs its responsibilities with all key and appropriate issues discussed in a timely manner. In addition, as all major decisions are made in consultation with members of our Board and relevant Board committee, and there are three independent non-executive Directors on our Board offering independent perspective, our Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers within our Board. Our Board shall nevertheless review the structure and composition of our Board from time to time in light of prevailing circumstances, to maintain a high standard of corporate governance practices of our Company.

Save as disclosed above, we will comply with the code provisions stated in the Corporate Governance Code as set forth in Appendix 14 to the Listing Rules after the [REDACTED]. Our Company is of the view that our Board should include a balanced composition of executive and independent non-executive Directors so that there is a strong independent element on our Board, which can effectively exercise independent judgment.

REMUNERATION POLICY

Our executive Directors receive, in their capacity as our employees, compensation in the form of salaries and benefits-in-kind, including our contributions to the pension scheme for our executive Directors, according to the laws of the PRC. The aggregate amounts of remuneration (including fees, salaries, allowances and benefits in kind, discretionary bonus and contributions to pension scheme) for our Directors in 2019, 2020 and 2021 was approximately RMB7,040,000, RMB19,524,000 and RMB24,321,000, respectively. None of our Directors waived any remuneration during the aforesaid periods.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

For the year ended December 31, 2019, the five highest paid individuals of our Company included one director; for the year ended December 31, 2020, the five highest paid individuals of our Company included two directors; and for the year ended December 31, 2021, the five highest paid individuals of our Company included two directors. The aggregate remuneration (including salaries, allowances and benefits in kind and contributions to pension scheme) paid to our Group’s five highest remuneration individuals were approximately RMB14,122,000, RMB34,686,000 and RMB43,252,000, respectively.

During the Track Record Period, no emolument was paid by our Group to any of our Directors or the five highest paid individuals (including our Directors and employees) as an inducement to join or upon joining our Group or as compensation for loss of office. None of our Directors has waived any emoluments during the Track Record Period.

Save as disclosed above, no other payments of remuneration have been made, or are payable, in respect of the Track Record Period, by our Group to or on behalf of any of our Directors.

For information on Directors’ remuneration during the Track Record Period as well as information on the highest paid individuals, please see notes 16 and 17 to the Accountant’s Report set out in Appendix I to this Document and “Statutory and General Information” set out in Appendix VI to this document.

SHARE CAPITAL

Immediately before the [REDACTED]

As of the Latest Practicable Date, the share capital of our Company was RMB1,506,456,558, divided into 1,506,456,558 Shares, with a nominal value of RMB1.00 each.

Upon the Completion of the [REDACTED]

Assuming the [REDACTED] is not exercised, the share capital of our Company immediately after the completion of the [REDACTED] will be as follows:

Number of Shares	Description of Shares	Approximate percentage of total share capital
1,506,456,558	Domestic Shares	[REDACTED]
<u>[REDACTED]</u>	H Shares to be issued under the [REDACTED]	<u>[REDACTED]</u>
<u>[REDACTED]</u>		<u>100%</u>

Assuming the [REDACTED] is exercised in full, the share capital of our Company immediately after the completion of the [REDACTED] will be as follows:

Number of Shares	Description of Shares	Approximate percentage of total share capital
1,506,456,558	Domestic Shares	[REDACTED]
<u>[REDACTED]</u>	H Shares to be issued under the [REDACTED]	<u>[REDACTED]</u>
<u>[REDACTED]</u>		<u>100%</u>

The above tables assume the [REDACTED] becomes unconditional and is completed.

SHARE CAPITAL

SHARE CLASS

Upon the completion of [REDACTED], the Shares of our Company will be divided into two categories: Domestic Shares and H Shares. The two classes of Shares are both ordinary shares in the share capital of our Company. H Shares may only be subscribed for and traded in Hong Kong dollars. Domestic Shares may only be subscribed for and traded in RMB.

Apart from certain qualified domestic institutional investors in the PRC, the qualified PRC investors under the Shanghai-Hong Kong Stock Connect, the Shenzhen-Hong Kong Stock Connect or other persons who are entitled to hold our H Shares pursuant to relevant PRC laws and regulations or upon approvals of any competent authorities, H Shares generally cannot be subscribed for by or traded between legal or natural persons of the PRC. Domestic Shares, on the other hand, can be subscribed for by and traded between legal or natural persons of the PRC and qualified foreign institutional investors. We must pay all dividends in respect of H Shares in Hong Kong dollars and all dividends in respect of Domestic Shares in RMB.

Except as described above and in relation to the dispatch of notices and financial reports to our Shareholders, registration of Shares in different parts of our register of Shareholders, the method of share transfer and the appointment of dividend receiving agents, which are set out in the Articles of Association and summarized in “Summary of the Articles of Association” in Appendix V to this document (save for the dividends payment in RMB for the Domestic Shares and in Hong Kong dollars for H Shares), our Domestic Shares and our H Shares will rank equally with each other in all respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this document. However, the transfer of Domestic Shares is subject to such restrictions as PRC laws may impose from time to time.

Save for the [REDACTED], we do not propose to carry out any public or private issue or to place securities simultaneously with the [REDACTED] or within the next six months from the [REDACTED]. We have not approved any share issue plan other than the [REDACTED].

CONVERSION OF OUR DOMESTIC SHARES INTO H SHARES

We have two classes of ordinary shares, Domestic Shares and H Shares. Our Domestic Shares are unlisted Shares which are currently not listed or traded on any stock exchange.

According to the stipulations by the State Council’s securities regulatory authority and the Articles of Association, our Domestic Shares may be converted into H Shares, and such converted Shares may be listed or traded on an overseas stock exchange, provided that prior to the conversion and trading of such converted Shares any requisite internal approval processes shall have been duly completed and the approval from the relevant PRC regulatory authorities, including the CSRC, shall have been obtained. In addition, such conversion, trading and listing shall in all respects comply with the regulations prescribed by the State Council’s securities regulatory authorities. Approval of the Stock Exchange is also required for the listing of such converted Shares on the Stock Exchange.

SHARE CAPITAL

Based on the procedures for the conversion of our Domestic Shares into H Shares as described in this section, we can apply for the listing of all or any portion of our Domestic Shares on the Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of Shares for entry on the H Share register. As any listing of additional Shares after our [REDACTED] on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter, it does not require such prior application for listing at the time of our [REDACTED] in Hong Kong.

No voting by class Shareholders is required for the listing and trading of the converted Shares on the Stock Exchange. Any application for listing of the converted Shares on the Stock Exchange after our initial listing is subject to prior notification by way of announcement to inform Shareholders and the public of any proposed transfer.

So far as we are aware, none of our Shareholders currently proposes to convert any of their Domestic Shares into H Shares.

TRANSFER OF SHARES ISSUED PRIOR TO THE [REDACTED]

The PRC Company Law provides that in relation to the public offering of a company, the shares issued prior to the public offering shall not be transferred within a period of one year from the date on which the publicly offered shares are listed on any stock exchange. Accordingly, Shares issued by our Company prior to the [REDACTED] shall be subject to this statutory restriction and not be transferred within a period of one year from the [REDACTED].

Please see “[REDACTED]” in this document for details of the lock-up undertaking given by Jintan Group to the Stock Exchange and under the [REDACTED], respectively.

INCREASE IN SHARE CAPITAL

As advised by our PRC Legal Advisor, Jia Yuan Law Offices, pursuant to the Articles of Association and subject to the requirements of relevant PRC laws and regulations, our Company, upon the listing of our H Shares, is eligible to enlarge its share capital by issuing either new H Shares or new Domestic Shares on condition that such proposed issuance shall be approved by a special resolution of Shareholders in general meeting and by holders of Shares of that class of Shareholders whose interest is affected in a separate meeting conducted in accordance with the provisions of the Articles of Association and that such issuance complies with the Listing Rules and other relevant laws and regulations of Hong Kong. To adopt a special resolution of Shareholders in general meeting, more than the two thirds votes represented by our Shareholders (including proxies) present at the general meeting must be exercised in favor of the resolution. Resolutions of a class of Shareholders shall be passed by votes representing more than two thirds of Shareholders with voting rights attending the class Shareholders’ meeting.

SHARE CAPITAL

REGISTRATION OF SHARES NOT LISTED ON THE OVERSEAS STOCK EXCHANGE

According to the Notice of Centralized Registration and Deposit of Non-overseas Listed Shares of Companies Listed on an Overseas Stock Exchange (《關於境外上市公司非境外上市股份集中登記存管有關事宜的通知》) issued by the CSRC, an overseas listed company is required to register its shares that are not listed on the overseas stock exchange with China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司) within 15 Business Days upon the listing and provide a written report to the CSRC regarding the centralized registration and deposit of its unlisted Shares as well as the current offering and listing of shares.

SHAREHOLDERS’ APPROVAL FOR THE [REDACTED]

Approval from holders of the Shares is required for our Company to issue H Shares and seek the [REDACTED] of H Shares on the Stock Exchange. Our Company has obtained such approval at the Shareholders’ general meeting held on December 25, 2021.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

For details of circumstances under which our Shareholders’ general meeting and class Shareholders’ meeting are required, please see “Shareholders’ general meeting” under “Summary of the Articles of Association” of Appendix V to this document.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the [REDACTED] (assuming that (i) the [REDACTED] becomes unconditional and [REDACTED] to be issued pursuant to the [REDACTED], and (ii) the [REDACTED] is not exercised), the following persons are expected to have or be deemed or taken to have an interest and/or a short position in our Shares or the underlying Shares of our Company which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who will be, directly or indirectly, interested in 10% or more of the number of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other members of our Group:

Name of Shareholder	Nature of interest	Class of Shares	Shares held in the total share capital of our Company as of the Latest Practicable Date and immediately prior to the [REDACTED]		Shares held in the total share capital of our Company immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised)	
			Number of Shares ⁽¹⁾	Approximate percentage of shareholding	Number of Shares ⁽¹⁾	Approximate percentage of shareholding
Jinsha Investment ⁽⁵⁾	Beneficial owner	Domestic Shares	252,130,281(L)	16.74%	252,130,281(L)	[REDACTED]
Huake Engineering ⁽⁵⁾	Beneficial owner	Domestic Shares	98,658,313(L)	6.55%	98,658,313(L)	[REDACTED]
Huake Investment ⁽⁵⁾	Beneficial owner	Domestic Shares	77,785,163(L)	5.16%	77,785,163(L)	[REDACTED]
Jintan Hualuogeng ^{(2) & (5)}	Interest in controlled corporation	Domestic Shares	176,443,476(L)	11.71%	176,443,476(L)	[REDACTED]
Jintan Holding ^{(3), (4) & (5)}	Interest in controlled corporation	Domestic Shares	428,573,757(L)	28.45%	428,573,757(L)	[REDACTED]
Jintan International ^{(4) & (5)}	Beneficial owner	Domestic Shares	24,000,000(L)	1.59%	24,000,000(L)	[REDACTED]
Lihang Jinzhi	Beneficial owner	Domestic Shares	141,866,141(L)	9.42%	141,866,141(L)	[REDACTED]
Jinyuan Industry ⁽⁶⁾	Interest in controlled corporation	Domestic Shares	179,446,576(L)	11.91%	179,446,576(L)	[REDACTED]
Jinyuan Investment ⁽⁷⁾	Interest in controlled corporation	Domestic Shares	253,809,580(L)	16.85%	253,809,580(L)	[REDACTED]

SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	Nature of interest	Class of Shares	Shares held in the total share capital of our Company as of the Latest Practicable Date and immediately prior to the [REDACTED]		Shares held in the total share capital of our Company immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised)	
			Number of Shares ⁽¹⁾	Approximate percentage of shareholding	Number of Shares ⁽¹⁾	Approximate percentage of shareholding
Chengfei Integration	Beneficial owner	Domestic Shares	151,145,867(L)	10.03%	151,145,867(L)	[REDACTED]
AVIC ⁽⁸⁾	Interest in controlled corporation	Domestic Shares	175,970,995(L)	11.68%	175,970,995(L)	[REDACTED]

Notes:

- (1) The Letter “L” denotes the person’s long position in our Shares.
- (2) Each of Huake Engineering and Huake Investment is wholly owned by Jintan Hualuogeng. Jintan Hualuogeng is deemed to be interested in the Shares held by each of Huake Engineering and Huake Investment under the SFO.
- (3) Jinsha Investment is wholly owned by Jintan Holding. Jintan Hualuogeng is owned as to 90% by Jintan Holding. Jintan Holding is a state-owned enterprise and controlled by the Government of Jintan District. Jintan Holding is deemed to be interested in the Shares held by each of Jinsha Investment, Huake Engineering and Huake Investment under the SFO.
- (4) The investment by Jintan International in our Company was made in accordance with the instructions of Jintan Holding and Jintan International exercises its voting rights in our Company in accordance with the instructions of Jintan Holding.
- (5) Jinsha Investment, Huake Engineering, Huake Investment, Jintan International, Jintan Hualuogeng and Jintan Holding are a group of largest Shareholders and directly or indirectly control an aggregate of approximately 30.04% of our Company’s voting rights as of the Latest Practicable Date and immediately prior to the [REDACTED] and approximately [REDACTED] of our Company’s voting rights immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised).
- (6) Lihang Jinzhi is a limited partnership established under the laws of the PRC with Xiamen Lihang Equity Investment Management Co., Ltd.* (廈門鋰航股權投資管理有限公司) being its general partner and Jinyuan Industry being its limited partner. According to the partnership agreement of Lihang Jinzhi which provides, among other things, that the investment decision committee of Lihang Jinzhi shall comprise three members of which Jinyuan Industry shall be entitled to nominate two members, Jinyuan Industry exercises de facto control of Lihang Jinzhi. As such, Jinyuan Industry is deemed to be interested in the Shares held by Lihang Jinzhi under the SFO. Jinyuan Industry directly owns approximately 2.49% interests in our Company and therefore Jinyuan Industry directly and indirectly controls an aggregate of approximately 11.91% of our Company’s voting rights as of the Latest Practicable Date and immediately prior to the [REDACTED] and approximately [REDACTED] of our Company’s voting rights immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised).

SUBSTANTIAL SHAREHOLDERS

- (7) Jinyuan Industry is a wholly owned subsidiary of Jinyuan Investment and as such Jinyuan Investment is deemed to be interested in all the Shares held by Lihang Jinzhi and Jinyuan Industry under the SFO. Moreover, each of Xiamen Jinli No. 2 and Jinli Investment owns approximately 1.59% and 0.85% interests in our Company respectively. Xiamen Jinli No. 2 is a limited partnership with Xiamen City Jinyuan Equity Investment Co., Ltd* (廈門市金圓股權投資有限公司) being its general partner. Xiamen City Jinyuan Equity Investment Co., Ltd* (廈門市金圓股權投資有限公司) is ultimately controlled by Jinyuan Investment. Jinli Investment is a limited partnership with Jinyuan Capital Management (Xiamen) Co., Ltd* (金圓資本管理(廈門)有限公司) being its general partner. Jinyuan Capital Management (Xiamen) Co., Ltd* (金圓資本管理(廈門)有限公司) is ultimately controlled by Jinyuan Investment. As such, Jinyuan Investment is also deemed to be interested in the Shares held by each of Xiamen Jinli No.2 and Jinli Investment under the SFO. Jinyuan Investment directly owns approximately 2.49% interests in our Company and therefore Jinyuan Investment directly and indirectly controls an aggregate of approximately 16.85% of our Company’s voting rights as of the Latest Practicable Date and immediately prior to the [REDACTED] and approximately [REDACTED] of our Company’s voting rights immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised).
- (8) Chengfei Integration is a joint stock limited company whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 002190) and ultimately controlled by AVIC. As such, AVIC is deemed to be interested in the Shares held by Chengfei Integration under the SFO. Moreover, each of Aviation Industry Integration Fund, Missile Academy, Aviation Investment and Hongdu Airline owns approximately 0.80%, 0.65%, 0.11% and 0.09% interests in our Company respectively, and each of the above companies and partnerships is ultimately controlled by AVIC, which is also deemed to be interested in the Shares held by such companies and partnerships under the SFO. Therefore, AVIC indirectly controls an aggregate of approximately 11.68% of our Company’s voting rights as of the Latest Practicable Date and immediately prior to the [REDACTED] and approximately [REDACTED] of our Company’s voting rights immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised).

Save as disclosed above, our Directors are not aware of any person who will, immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), have an interest or a short positions in any Shares or underlying Shares, which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly interested in 10% or more of the issued voting shares of our Company.

FINANCIAL INFORMATION

You should read the following discussion and analysis on our financial positions and operating results in conjunction with our consolidated financial statements as of December 31, 2019, 2020 and 2021 and for each of the years ended December 31, 2019, 2020 and 2021, along with the accompanying notes set out in the Accountant’s Report included in the Appendix I to this Document. The Accountant’s Report has been prepared in accordance with IFRSs. Prospective investors should read the Accountant’s Report included in the Appendix I to this Document in its entirety and should not rely solely on the information set out in this section.

The following discussion and analysis contain certain forward-looking statements that reflect our current views with respect to future events that involve risks and uncertainties and financial performance. These statements are based on assumptions and analysis made by us in light of our experiences and understanding of historical matters, current conditions and expected future developments, as well as other factors we believe to be appropriate under the circumstances. However, whether actual outcome and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control or can predict. When assessing our businesses, you should duly and carefully consider all the information provided in this Document, including sections headed “Risk Factors” and “Business”.

OVERVIEW

We are a world-leading new energy technology company. We shoulder the mission of energy safety for mankind. We drive the positive development of the industry with innovative concepts and leading core technologies. Adhering to our corporate spirit of “beyond commerce, bettering mankind”, we are committed to leading the new energy era.

We are mainly engaged in the design, R&D, production and sales of EV batteries and ESS products. Through the continuous innovation of technology, we have built a high degree of mutual trust, synergy and win-win relationship with partners in the upstream and downstream of the industry chain, leading the progress and development of the industry.

Our innovative initiatives, and our achievements in quality, technology and R&D laid the foundation for our leading product capability.

According to Frost & Sullivan, in terms of installed capacity in 2021, we:

- ranked second in China among third-party EV battery companies;
- ranked seventh globally among EV battery companies;
- were the only company with over 100% year-on-year growth rate from 2019 to 2021 among the top ten EV battery companies in China^{Note}; and
- were one of the most rapidly growing core EV battery company in the world.

Note: Entities with installed capacities of less than 0.1 GWh for two years in a row are not applied for calculating year-on-year growth rate.

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BASIS OF PREPARATION

The historical financial information has been prepared in accordance with all applicable international financial reporting standards (the “IFRSs”) issued by the International Accounting Standards Board (the “IASB”), consisting of International Financial Reporting Standards (the “IFRSs”), International Accounting Standards (the “IAS”) and the interpretations thereof. The historical financial information is also in compliance with the applicable disclosure provisions of the Listing Rules and the disclosure requirements of the Companies Ordinance.

Although the adoption of certain new and amended IFRSs may result in changes in accounting policies, it is expected that such IFRSs will not have any material impact on our operating results and financial positions.

FACTORS AFFECTING OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our business and historical financial condition and results of operations have been affected by a number of important factors which we believe will continue to affect our financial condition and results of operations in the future. Our results are primarily affected by the following factors:

- macroeconomic conditions and the growth of overall EV battery market;
- continuous investment and innovation in our technology;
- end markets that we serve and fluctuation in customer demand;
- management and expansion of our production capacity;
- our ability to control cost of sales and operating expenses; and
- government policies and regulations for NEVs and smart technology, such as subsidies for NEV purchases and government grants for NEV manufacturers.

Specific Factors Affecting Our Results of Operations

Besides the general factors affecting the industry, our business and results of operations are also affected by specific factors, including the following major factors:

Our ability to attract new customers and grow our customer base

Our results of operations depend significantly on our ability to attract orders from customers, which in turn, impacts our sales volume. We design our EV batteries for NEVs to satisfy the needs and preferences of NEV manufacturers. We enhance brand recognition among our target customers by consistently delivering technically advanced as well as performance

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superior products, so as to better satisfy the requirements of our target customers. Enhanced customer satisfaction will help to solidify our relationship with existing customers and attract new customers. In addition, we intend to strategically expand and strengthen our international market presence. As we continue to develop and launch products with market competitiveness, promote our brand and expand our sales and service network, we expect to attract more customers and achieve revenue growth.

Investment in technology and talents and continued expansion of our product portfolio

We develop our key technologies in-house to achieve a rapid pace of innovation through significant investment of resources in R&D. At the same time, we recruit talented developers and engineers to grow our strength in the key technologies. We expect our strategic focus on innovations will further differentiate our products, which will in turn enhance our competitiveness.

Our ability to constantly introduce new products that meet the demand and preference of our customers will be an important contributor to our future growth. We plan to continuously introduce new products to expand our product portfolio and customer base. We expect our revenue growth to be driven in part by the continued expansion of our product portfolio.

Our ability to control raw material costs and improve operating efficiency

Our cost of sales primarily consists of raw material costs. We purchase a variety of raw materials, and other supplies for our production. We expect that our cost of sales will be affected primarily by the price of raw material and our production volume.

Our results of operations are further affected by our ability to maintain and improve our operating efficiency, thus it is critical for us to successfully manage production ramp-up and quality control so as to deliver products in adequate volume and of high quality to customers. Our supply chain affects our cost of sales and gross margin, and we will further enhance our management and continuously improve our cost management capability, as we ramp up production volume and achieve economies of scale. We also focus on the efficiency in manufacturing process as our production capacity expands. As we expand our product portfolio and grow our revenue, we expect our expenses as a percentage of our revenue to decrease. We may have challenges in our expansion process. See “Risk Factors – Risks Relating to Our Industry and Business – We have limited operating history in EV battery industry and our ability to develop, manufacture and deliver EV batteries is still evolving, and we may not be successful in expanding our operations or managing our growth effectively.”

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IMPACT OF COVID-19 ON OUR OPERATIONS

Please see “Business – The Impact of the COVID-19 Pandemic” for further details on the impact of COVID-19 on our operations.

CRITICAL ACCOUNTING POLICIES

A summary of our significant accounting policies is set forth in note 4 to the Accountants’ Report in Appendix I to this document. Critical accounting policies are those that require our management to exercise judgment in applying assumptions and making estimates that would yield materially different results if our management applied different assumptions or made different estimates. Estimates and judgments are continually re-evaluated and are based on historical experience and other factors, including industry practices and expectations of future events that are believed to be reasonable under the circumstances. We have not changed our assumptions or estimates in the past and have not noticed any material errors regarding our assumptions or estimates. Under current circumstances, we do not expect that our assumptions or estimates are likely to change significantly in the future. We believe the following critical accounting policies involve the most significant judgments in the preparation of our consolidated financial statements.

Revenue

Revenue is recognized when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Revenue from the sale of goods is recognized when control of the goods has transferred, being when the goods have shipped to the customer’s specific location (delivery). A receivable is recognized by the Group when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Revenue from the provision of services is recognized over the scheduled period on an input method because the customer simultaneously receives and consumes the benefits provided by the Group.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labor and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

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Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognized in profit or loss during the period in which they are incurred. Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis.

The principal annual depreciation rates are as follows:

Buildings	20-35 years
Machinery	10%
Computer equipment	32%
Furniture and office equipment	19%–32%
Leasehold improvements	Over the shorter of the term of the lease and estimated useful life of 5 years
Motor vehicles	24%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period. The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognized in profit or loss.

Intangible assets

Intangible assets are stated at cost less accumulated amortization and impairment losses. Intangible assets are amortized over their estimated useful lives on a straight-line method. The estimated useful lives are as follows:

Computer software	Not more than 10 years
Trademark	10 years
Patent	Not more than 10 years
Others	5 years

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Trade and other receivables

A receivable is recognized when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognized before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset. Receivables are stated at amortized cost using the effective interest method less allowance for credit losses.

Government grants

A government grant is recognized when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognized in profit or loss over the period to match them with the costs they are intended to compensate.

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

Government grants relating to the purchase of assets are recorded as deferred income and recognized in profit or loss on a straight-line basis over the useful lives of the related assets.

Repayment of a grant related to income is applied first against any unamortized deferred income set up in respect of the grant. To the extent that the repayment exceeds any such deferred income, or where no deferred income exists, the repayment is recognized immediately in profit or loss. Repayment of a grant related to an asset is recorded by reducing the deferred income by the amount repayable. The cumulative additional depreciation that would have been recognised in profit or loss to date in the absence of the grant is recognised immediately in profit or loss.

FINANCIAL INFORMATION

RESULTS OF OPERATIONS

The following table sets forth a summary, of our consolidated results of operations for the years and periods indicated. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	Year Ended December 31,		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	1,733,832	2,825,419	6,817,115
Cost of sales	<u>(1,650,574)</u>	<u>(2,440,745)</u>	<u>(6,438,837)</u>
Gross profit	83,258	384,674	378,278
Investment and other income	18,662	31,644	176,247
Government grants and subsidies	308,595	134,861	364,509
Other gains/(losses), net	(142,008)	61,906	78,999
Selling expenses	(52,523)	(82,332)	(160,311)
Administrative expenses	(177,638)	(243,107)	(412,062)
R&D expenses	(135,892)	(201,989)	(285,256)
Impairment losses on trade and bill receivables	(35,418)	(23,351)	(26,600)
Impairment losses on prepayments, deposits and other receivables	<u>(1,659)</u>	<u>(1,281)</u>	<u>(682)</u>
(Loss)/profit from operations	(134,623)	61,025	113,122
Finance costs	(41,175)	(57,365)	(24,975)
Share of (losses)/profits of associates	(8,715)	637	(24,714)
Share of loss of a joint venture	<u>–</u>	<u>–</u>	<u>–</u>
(Loss)/profit before tax	(184,513)	4,297	63,433
Income tax credit/(expense)	<u>28,112</u>	<u>(22,625)</u>	<u>48,107</u>
(Loss)/profit for the year	<u>(156,401)</u>	<u>(18,328)</u>	<u>111,540</u>

In 2019, we completed the acquisition of Luoyang Company. Please see “History, Development and Corporate Structure – Our Corporate Development – Major changes in shareholding and corporate form – Equity transfer and capital increases in July 2019” for more details.

FINANCIAL INFORMATION

Luoyang Company constituted a material portion of our financial results during the Track Record Period. To facilitate our investors to understand the financial performance of Luoyang Company, we set forth the financial information of Luoyang Company as follows.

Luoyang Company

	Years Ended December 31,		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)
	<i>Note (1)</i>		<i>Note (2)</i>
Revenue ⁽³⁾	603,763	1,025,890	926,109
Cost of sales	<u>(574,084)</u>	<u>(938,612)</u>	<u>(877,400)</u>
Gross profit	29,679	87,278	48,709
Loss for the year/period	<u>(126,338)</u>	<u>(94,570)</u>	<u>(134,554)</u>

Note (1): This column includes financial figures for the period from July 1, 2019 to December 31, 2019. Luoyang Company became a non-wholly owned subsidiary of our Company on July 1, 2019.

Note (2): This column includes financial figures for the period from January 1, 2021 to November 7, 2021. Luoyang Company was disposed by the Company and became an associate on November 8, 2021.

Note (3): Revenue is generated from the sales to customers which are not our Company or our subsidiaries.

The Group (Excluding Luoyang Company)

	Years Ended December 31,		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)
Revenue ⁽¹⁾	1,130,069	1,799,529	5,891,006
Cost of sales	<u>(1,076,490)</u>	<u>(1,502,133)</u>	<u>(5,561,437)</u>
Gross profit	53,579	297,396	329,569
(Loss)/profit for the year	<u>(30,063)</u>	<u>76,242</u>	<u>246,094</u>

Note (1): Revenue is generated from the sales to customers which are not our Company or our subsidiaries.

FINANCIAL INFORMATION

PRINCIPAL COMPONENTS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Revenue

During the Track Record Period, we derived substantially all of our revenue from the sales of our products, including EV batteries and ESS products.

Our total revenue increased by 63.0% from RMB1,733.8 million for the year ended December 31, 2019 to RMB2,825.4 million for the year ended December 31, 2020. Our total revenue increased materially from RMB2,825.4 million for the year ended December 31, 2020 to RMB6,817.1 million for the year ended December 31, 2021. This strong increase was mainly due to the increase in sales volume, which was mainly driven by the rapid growth in demand of our EV batteries as supported by the increase in our production capacities. At the same time, the sales of our ESS products also experienced growth, which in turn, was mainly driven by the increase in sales to certain major customers. The increase in the revenue from our other products was mainly attributable to the sales of battery materials.

Revenue by Products

The following table sets forth a breakdown of our revenue by products, each expressed in the absolute amount and as a percentage of our total revenue, for the years indicated.

	Years Ended December 31,					
	2019		2020		2021	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
EV battery	1,409,888	81.3	2,499,300	88.5	6,065,200	89.0
ESS	181,166	10.5	238,181	8.4	446,080	6.5
Others	142,778	8.2	87,938	3.1	305,835	4.5
Total	<u>1,733,832</u>	<u>100</u>	<u>2,825,419</u>	<u>100</u>	<u>6,817,115</u>	<u>100</u>

Note: Others mainly include sales of battery materials, etc.

Sales Volume and Average Selling Price of Our Products

The table below sets forth our sales volume and average selling price of our main product during the Track Record Period.

	Years Ended December 31,					
	2019		2020		2021	
	Sales volume (GWh)	Average selling price (RMB/Wh)	Sales volume (GWh)	Average selling price (RMB/Wh)	Sales volume (GWh)	Average selling price (RMB/Wh)
EV battery	1.62	0.87	3.93	0.64	9.31	0.65
ESS	0.20	0.90	0.33	0.73	0.67	0.67
	<u>0.20</u>	<u>0.90</u>	<u>0.33</u>	<u>0.73</u>	<u>0.67</u>	<u>0.67</u>

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During the Track Record Period, the fluctuations in our average selling price of EV batteries were mainly due to the fluctuations in the selling price of such products in the industry as a whole and subsidy policies that related to end products to which our products were installed. In the same period, the fluctuations in the average selling price of ESS products was mainly due to the price differences in the products sold by us, which generally is tied to the technical specifications of the products. Also, with technological advancement and reduction in cost, the selling prices of our products were adjusted accordingly.

Cost of Sales

Cost of sales primarily consists of raw material costs, direct labor costs and manufacturing costs. Our cost of sales increased by 47.9% from RMB1,650.6 million for the year ended December 31, 2019 to RMB2,440.7 million for the year ended December 31, 2020, and further increased by 163.8% to RMB6,438.8 million for the year ended December 31, 2021, mainly due to the increase in raw material costs and manufacturing costs. The increase was attributable to the increase in our sales volume and the increase in price of our main raw materials, including cathode materials and electrolytes.

Cost of Sales by Nature

The following table sets forth a breakdown of our cost of sales by nature, expressed as an absolute amount and as a percentage of our total cost of sales, for the years indicated.

	Years Ended December 31,					
	2019		2020		2021	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Cost of sales						
Raw materials	1,270,989	77.0	1,856,632	76.1	5,418,907	84.2
Manufacturing costs	288,322	17.5	445,323	18.2	775,721	12.0
Direct labor costs	91,263	5.5	138,790	5.7	244,209	3.8
Total	<u>1,650,574</u>	<u>100</u>	<u>2,440,745</u>	<u>100</u>	<u>6,438,837</u>	<u>100</u>

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Raw material costs

Raw material costs were the largest component of our cost of sales and primarily consisted of the cost of cathode materials, anode materials, electrolytes and separators. Raw material costs accounted for 77.0%, 76.1% and 84.2%, respectively, of our cost of sales for each of the years ended December 31, 2019, 2020 and 2021. The increase in our raw material costs for the year ended December 31, 2021 is mainly due to the increase in sales volume and the substantial increase in market price of battery raw materials, including cathode materials and electrolytes.

For illustration purpose only, the following sensitivity analysis sets forth the estimated impact of hypothetical fluctuations in our average price of raw materials on our profit/(loss) before income tax for the years indicated, assuming all other factors affecting our profitability had remained unchanged.

	Impact on profit/(loss) before tax		
	Years Ended December 31,		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Change in price of raw materials			
-/+ 5%	+/-63,549	+/-92,832	+/-270,945
-/+ 10%	+/-127,099	+/-185,663	+/-541,891

Manufacturing costs

Manufacturing costs represent, among others, the depreciation of our plants and manufacturing machinery and costs of utilities. For each of the years ended December 31, 2019, 2020 and 2021, manufacturing costs accounted for 17.5%, 18.2% and 12%, respectively, of our cost of sales. The decrease in manufacturing costs as a percentage of our costs of sales for the year ended December 31, 2021 was mainly due to the increase in the price of battery raw materials along with the increase in raw material costs as a percentage of cost of sales for the year ended December 31, 2021.

Direct labor costs

Direct labor costs represent staff-related costs of our manufacturing operations. Labor cost accounted for 5.5%, 5.7% and 3.8%, respectively, of our cost of sales for each of the years ended December 31, 2019, 2020 and 2021. The decrease in direct labor cost as a percentage of sales cost for the year ended December 31, 2021 was mainly due to the increase in the price of battery raw materials along with the increase in raw material costs as a percentage in cost of sales for the year ended December 31, 2021.

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Cost of Sales by Products

The following table sets forth a breakdown of our cost of sales by products, expressed as an absolute amount and as a percentage of our total cost of sales, for the years indicated.

	Years Ended December 31,					
	2019		2020		2021	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Cost of sales						
EV battery	1,336,987	81.0	2,157,220	88.4	5,729,114	89.0
ESS	151,962	9.2	207,308	8.5	421,122	6.5
Others	161,625	9.8	76,217	3.1	288,601	4.5
Total	<u>1,650,574</u>	<u>100</u>	<u>2,440,745</u>	<u>100</u>	<u>6,438,837</u>	<u>100</u>

Note: Others mainly include raw materials in relation to the sales of battery materials.

Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less our cost of sales. Our gross profit margin represents our gross profit divided by our revenue, expressed as a percentage. For the years ended December 31, 2019, 2020 and 2021, our gross profit was RMB83.3 million, RMB384.7 million and RMB378.3 million, respectively. Our overall gross profit margin was 4.8%, 13.6% and 5.5%, respectively, in the same period. The change in gross profit margin was mainly attributable to price fluctuation of battery raw materials and the positive impact of the economies of scale relating to production capacity expansion.

Gross Profit and Gross Profit Margin by Products

The following table sets forth a breakdown of our gross profit and gross profit margin by products for the years indicated.

	Years Ended December 31,					
	2019		2020		2021	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
EV battery	72,901	5.2	342,080	13.7	336,086	5.5
ESS	29,204	16.1	30,873	13.0	24,958	5.6
Others ⁽¹⁾	(18,847)	(13.2)	11,721	13.3	17,234	5.6
Total	<u>83,258</u>	<u>4.8</u>	<u>384,674</u>	<u>13.6</u>	<u>378,278</u>	<u>5.5</u>

Note (1): Others include the sales of battery materials

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During the Track Record Period, the changes in the gross profit of our EV batteries were mainly due to the increase in our sales of product and the changes in the price of raw materials. While in the same period, the changes in the gross profit margin of our EV batteries were mainly due to (i) the benefit of economies of scale relating to our production capacity expansion; and (ii) the fluctuations in the price of battery raw materials.

During the Track Record Period, the changes in the gross profit of our ESS products was mainly due to the fluctuation in sales and gross profit margin. While in the same period, the changes in the gross profit margin of our ESS products were mainly due to different products sold by us, which generally correlated with (i) the technical specifications of the products sold; and (ii) fluctuations in battery raw material prices.

During the Track Record Period, we had a negative gross margin for the year ended December 31, 2019 due to our disposal of a batch of slow-moving products with relatively low price in our product categories of other products in 2019. Changes to the gross profit margin of our others products were also heavily influenced by the change in raw material prices.

Government Grants and Subsidies

Our government grants and subsidies primarily consist of subsidies on industry development and R&D subsidies. For the years ended December 31, 2019, 2020 and 2021, our government grant and subsidies were RMB308.6 million, RMB134.9 million and RMB364.5 million, respectively.

	Year Ended December 31,		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Related to assets			
R&D subsidies	14,848	22,396	19,855
Subsidies on industry development	6,976	12,342	8,924
Others	3,321	4,068	4,345
Related to income			
R&D subsidies	–	71,387	186,002
Subsidies on industry development	248,870	6,821	135,690
Others	34,580	17,847	9,693
	<u>308,595</u>	<u>134,861</u>	<u>364,509</u>

Note: Others mainly include subsidies on employee stability and recruitment.

FINANCIAL INFORMATION

Selling and Distribution Expenses

Our selling and distribution expenses primarily consist of sales services expenses, employee remuneration expenses, and transportation and travel expenses. During the Track Record Period, the increase in selling and distribution expenses was mainly attributable to the increase in sales services expenses and employee remuneration expenses, which in turn is connected to the increase in our sales volume and business scale.

The following table sets forth a breakdown of the key components of our selling and distribution expenses, each expressed as an absolute amount and as a percentage of our total selling and distribution expenses, for the years indicated.

	Years Ended December 31,					
	2019		2020		2021	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Selling and distribution expenses						
Sales services expenses	32,091	61.1	61,191	74.3	125,694	78.4
Employee remuneration expenses	7,120	13.6	12,377	15.0	20,398	12.7
Transportation and travel expenses	2,604	5.0	2,219	2.7	2,658	1.7
Insurance expenses	2,381	4.5	672	0.8	741	0.5
Others	8,327	15.8	5,873	7.2	10,820	6.7
Total	<u>52,523</u>	<u>100.00</u>	<u>82,332</u>	<u>100.00</u>	<u>160,311</u>	<u>100.00</u>

Note: Others mainly include publicity expenses, intermediary expenses, etc.

Our selling and distribution expenses increased from RMB52.5 million for the year ended December 31, 2019 to RMB82.3 million for the year ended December 31, 2020, and further increased to RMB160.3 million for the year ended December 31, 2021, which was primarily due to the increase in sales services expenses and employee remuneration expenses, both of which were a result of our business growth.

Administrative Expenses

Our administrative expenses primarily consist of employee remuneration expenses and depreciation and amortization expenses. During the Track Record Period, the increase in our administrative expenses was mainly due to the increase in employee remuneration expenses as a result of the increase in the headcount of our employees, as well as the increase in office and electronic equipment rendering an increase in depreciation and amortization expenses.

FINANCIAL INFORMATION

For the years ended December 31, 2019, 2020 and 2021, our administrative expenditure were RMB177.6 million, RMB243.1 million and RMB412.1 million, respectively. The following table sets forth a breakdown of the key components of our administrative expenses, each expressed as an absolute amount and as a percentage of our total administrative expenses, for the years indicated.

	Years Ended December 31,					
	2019		2020		2021	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Administrative expenses						
Employee remuneration expenses	79,100	44.5	76,256	31.4	128,916	31.3
Depreciation and amortization expenses	31,067	17.5	58,971	24.3	91,608	22.2
Taxes and surcharges	15,839	8.9	26,684	11.0	53,602	13.0
Property management fees	13,146	7.4	20,840	8.6	26,830	6.5
Rental expenses	4,185	2.4	6,527	2.7	15,201	3.7
Legal and professional fee	9,336	5.3	6,986	2.9	10,467	2.5
Other expenses	24,965	14.0	46,843	19.1	85,438	20.8
Total	<u>177,638</u>	<u>100.00</u>	<u>243,107</u>	<u>100.00</u>	<u>412,062</u>	<u>100.00</u>

Note: Other expenses mainly include office expenses, travel expenses, information system construction expenses, etc.

R&D Expenses

Our R&D expenses primarily consist of employee remuneration expenses, depreciation and amortization expenses and materials fee. The increase in our R&D expenses was mainly due to the growth in employee compensation expenses, material fee and additional expenses. With increased investment in R&D, our employee remuneration expenses increased as the remuneration for the relevant employees increased.

For the years ended December 31, 2019, 2020 and 2021, our R&D expenses were RMB135.9 million, RMB202.0 million and RMB285.3 million, respectively. The following table sets forth a breakdown of the key components of our R&D expenses, each expressed as an absolute amount and as a percentage of our total R&D expenses, for the years indicated.

FINANCIAL INFORMATION

	Years Ended December 31,					
	2019		2020		2021	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
R&D expenses						
Employee remuneration expenses	38,859	28.6	74,276	36.8	86,023	30.2
Depreciation and amortization expenses	60,195	44.3	56,810	28.1	75,104	26.3
Materials fee	12,427	9.1	42,164	20.9	49,900	17.5
Outsourcing expenses	10,334	7.6	12,270	6.0	28,129	9.9
Patent related expenses	399	0.3	1,726	0.9	18,375	6.4
Other expenses	13,678	10.1	14,743	7.3	27,725	9.7
Total	<u>135,892</u>	<u>100</u>	<u>201,989</u>	<u>100</u>	<u>285,256</u>	<u>100</u>

Note: Other expenses mainly include utility expenses, travel expenses and testing expenses, etc.

Other Gains and Losses, Net

Our other gains and losses, net, primarily consist of gain on disposal of the subsidiary, allowance or reversal of allowance for inventories, impairment loss on property, plant and equipment, impairment losses of investments in associates and fair value change in financial instruments.

For the years ended December 31, 2019, 2020 and 2021, our other gains and losses, net were loss of RMB142.0 million, gain of RMB61.9 million and gain of RMB79.0 million, respectively. Changes to our other gains and losses, net, were mainly attributable to allowance or reversal of allowance for inventories and gain on disposal of Luoyang Company.

We stocked up strategically in 2019 to prepare for the technological upgrading and transformation of the production line in 2020 and to guarantee the sufficient supplies to customers in 2020. As we had relatively large inventory, the allowance for inventory was made accordingly. In 2020, we had a reversal of allowance for inventory as our inventory management improved and we experienced an increase in sales. In 2021, the cost of finished products increased as a result of the rise in prices of main raw materials and the increase in our orders received. Accordingly, the allowance for inventories increased correspondingly when we had larger inventory.

FINANCIAL INFORMATION

The following table sets forth a breakdown of the key components of our other gains and losses, net, for the years indicated.

	Year Ended December 31,		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
(Allowance)/reversal of allowance for inventories	(120,920)	49,999	(90,088)
Gain on disposal of a subsidiary	–	–	347,240
Impairment losses of investments in associates	–	–	(178,700)
Fair value change in financial assets at FVTPL	726	2,419	13,705
Fair value change in put option liabilities	–	–	(14,512)
Fair value change in financial guarantees	–	–	1,755
Impairment loss on property, plant and equipment	(18,660)	–	–
Impairment loss on intangible assets	–	–	(15)
Net foreign exchange losses	(1,252)	(251)	(361)
Net (loss)/gain on disposals of property, plant and equipment	(1,902)	7,417	(25)
Net gain on early termination of lease	–	2,322	–
	<u>(142,008)</u>	<u>61,906</u>	<u>78,999</u>

Investment and Other Income

Our investment and other income primarily consists of interest income from bank deposits and others. For the years ended December 31, 2019, 2020 and 2021, our investment and other income was RMB18.7 million, RMB31.6 million and RMB176.2 million, respectively.

FINANCIAL INFORMATION

Changes in our investment and other income was primarily attributable to the increase in our interest income as a result of making deposits and purchasing investment products by using the capital contribution we received from investors. The following table sets forth a breakdown of the key components of our investment and other income for the years indicated.

	Year Ended December 31,		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest income on:			
Bank deposits	17,580	22,056	66,882
Financial assets at FVTOCI	337	5,653	105,384
	17,917	27,709	172,266
Total interest income	17,917	27,709	172,266
Others	745	3,935	3,981
	18,662	31,644	176,247
	18,662	31,644	176,247

Finance Costs

Our finance costs primarily consist of interest expenses. The change in finance costs is mainly attributable to the change in interest on our bank borrowings and the amount capitalized. The amount capitalized represent interest expenses capitalized relating to certain construction projects. The following table sets forth a breakdown of the key components of our finance costs for the years indicated.

	Year Ended December 31,		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest on bank borrowings	19,304	31,072	81,119
Interest on other loans	5,110	15,804	6,717
Interest on loan from related companies	14,594	7,937	–
Interest expenses on lease liabilities	2,167	2,552	695
	41,175	57,365	88,531
Total financial costs	41,175	57,365	88,531
Less: amount capitalised	–	–	(63,556)
	41,175	57,365	24,975
	41,175	57,365	24,975

FINANCIAL INFORMATION

Income Tax Credit/(Expense)

Our income taxation in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits, based on the existing legislation, interpretations and practices in respect thereof.

The table below sets forth a breakdown of our income tax credit/(expense) for the years indicated:

	Years Ended December 31,		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Income tax credit/(expense)			
Current tax – the PRC Provision for the year/period	–	–	(220,352)
Deferred tax	28,112	(22,625)	268,459
	<u>28,112</u>	<u>(22,625)</u>	<u>268,459</u>
Total	<u>28,112</u>	<u>(22,625)</u>	<u>48,107</u>

During the Track Record Period and as of the Latest Practicable Date, we did not have any material dispute or unresolved issues with the relevant tax authorities.

COMPARISON OF RESULTS OF OPERATION

Year ended December 31, 2020 compared to year ended December 31, 2021

Revenue

Our revenue for the year ended December 31, 2020 and the year ended December 31, 2021 was RMB2,825.4 million and RMB6,817.1 million, respectively. The substantial increase was primarily due to the increase in revenue generated from our EV batteries sold to certain major customers.

EV battery

Revenue generated from sales of EV batteries increased by 142.7% from RMB2,499.3 million for the year ended December 31, 2020 to RMB6,065.2 million for the year ended December 31, 2021, primarily due to increase in sales to certain major customers. Such increase in sales included sales to Customer G, Customer C and Customer X, which are all leading NEV brands. Please see “Business – Sales and Marketing – Major Customers” for further details.

FINANCIAL INFORMATION

ESS

Revenue generated from sales of ESS products increased by 87.3% from RMB238.2 million for the year ended December 31, 2020 to RMB446.1 million for the year ended December 31, 2021, primarily due to the increase in the sales volume of our ESS products from 0.33 GWh to 0.67 GWh.

Others

Revenue from other products increased by 247.9% from RMB87.9 million for the year ended December 31, 2020 to RMB305.8 million for the year ended December 31, 2021, primarily due to the increase of the sales of battery materials. This increase was mainly attributable to the expansion of our scale of operation and an increase in our sales volume.

Cost of Sales

Our cost of sales increased by 163.8% from RMB2,440.7 million for the year ended December 31, 2020 to RMB6,438.8 million for the year ended December 31, 2021. The increase was primarily due to increase in raw material costs, which was attributable to both the increase in (i) our sales volume and business expansion and (ii) the significant increase in the market price of raw materials including cathode materials and electrolytes.

Cost of Sales by Nature

Raw material costs

Our raw materials costs increased by 191.9% from RMB1,856.6 million for the year ended December 31, 2020 to RMB5,418.9 million for the year ended December 31, 2021. Our raw material costs as a percentage of our total cost of sales increased from 76.1% for the year ended December 31, 2020 to 84.2% for the year ended December 31, 2021. The increase was mainly due to (i) the expansion of our sales volume and business and (ii) the significant increase in the market price of raw materials including cathode materials and electrolytes.

Manufacturing costs

Manufacturing costs increased by 74.2% from RMB445.3 million for the year ended December 31, 2020 to RMB775.7 million for the year ended December 31, 2021. The proportion of manufacturing costs in the total cost of sales decreased from 18.2% for the year ended December 31, 2020 to 12.0% for the year ended December 31, 2021. The overall increase in manufacturing costs is mainly due to the increase in depreciation and amortization expenses, and utility expenses as our business scale expanded.

FINANCIAL INFORMATION

Direct labor costs

Our labor costs increased by 75.9% from RMB138.8 million for the year ended December 31, 2020 to RMB244.2 million for the year ended December 31, 2021. Our labor costs as a percentage of our total sales cost decreased from 5.7% for the year ended December 31, 2020 to 3.8% for the year ended December 31, 2021. The overall labor cost is increasing generally, mainly due to the growth in number of production-related staff as our business scale expanded.

Cost of Sales by Products

EV battery

The cost of EV batteries increased by 165.6% from RMB2,157.2 million for the year ended December 31, 2020 to RMB5,729.1 million for the year ended December 31, 2021. The overall growth trend of our cost of sales of EV batteries outpaced that of the corresponding revenue, mainly because of the substantial increase in the prices of raw materials including cathodes materials and electrolytes.

ESS

The cost of ESS products increased by 103.1% from RMB207.3 million for the year ended December 31, 2020 to RMB421.1 million for the year ended December 31, 2021. The overall growth trend of the cost of sales of our ESS products outpaced that of the corresponding revenue mainly because of the substantial increase in the prices of raw materials including cathodes materials and electrolytes.

Others

The cost from sales of others increased by 278.7% from RMB76.2 million for the year ended December 31, 2020 to RMB288.6 million for the year ended December 31, 2021. The overall growth trend of the cost of sales of others exceeds that of the corresponding revenue mainly because of the increase in the prices of raw materials used to produce battery materials.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit decreased by 1.7% from RMB384.7 million for the year ended December 31, 2020 to RMB378.3 million for the year ended December 31, 2021. Our overall gross profit margin decreased from 13.6% for the year ended December 31, 2020 to 5.5% for the year ended December 31, 2021.

FINANCIAL INFORMATION

EV battery

The gross profit of EV batteries decreased by 1.8% from RMB342.1 million for the year ended December 31, 2020 to RMB336.1 million for the year ended December 31, 2021. The gross profit margin for the year ended December 31, 2020 and 2021 decreased from 13.7% to 5.5% mainly because of the material increase in the prices of cathodes materials and electrolytes.

ESS

The gross profit of ESS products decreased by 19.1% from RMB30.9 million for the year ended December 31, 2020 to RMB25.0 million for the year ended December 31, 2021 and the gross profit margin decreased from 13.0% for the year ended December 31, 2020 to 5.6% for the year ended December 31, 2021, mainly due to the substantial increase in the prices of cathodes materials and electrolytes.

Others

Gross profit generated from other products increased by 47.0% from RMB11.7 million for the year ended December 31, 2020 to RMB17.2 million for the year ended December 31, 2021, with the gross profit margin decreasing from 13.3% for the year ended December 31, 2020 to 5.6% for the year ended December 31, 2021 mainly because of the increase in the prices of battery materials.

Investment and Other Income

Investment and other income primarily consists of interest income from bank deposits and investment products. Investment and other income increased by 457.6% from RMB31.6 million for the year ended December 31, 2020 to RMB176.2 million for the year ended December 31, 2021. The increase in our investment and other income was primarily attributable to the increase in our interest income, which was a result of the deposit products we purchased after we received capital contribution from investors in 2021.

Government Grants and Subsidies

Our government grants and subsidies increased by 170.2% from RMB134.9 million for the year ended December 31, 2020 to RMB364.5 million for the year ended December 31, 2021, mainly because we continuously carried out operating and R&D activities and government authorities provided relevant subsidies.

FINANCIAL INFORMATION

Other Gains and Losses, Net

Our other gains and losses, net, increased by 27.6% from gain of RMB61.9 million for the year ended December 31, 2020 to gain of RMB79.0 million for the year ended December 31, 2021, which was mainly attributable to (i) gains on disposal of Luoyang Company, and partially offset by (ii) the increase in provision of allowance for inventories. The increase in the allowance for inventories was in line with the increase in inventories, which was resulted from the increase in orders received and the increase in prices of main raw material.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 94.7% from approximately RMB82.3 million for the year ended December 31, 2020 to approximately RMB160.3 million for the year ended December 31, 2021, which was primarily due to the increase in sales services expense and employee remuneration expenses. With the increase in revenue, the sales service expenses grew correspondingly, and the employee remuneration expenses grew alongside our business scale expansion.

Administrative Expenses

Our administrative expenses increased by 69.5% from approximately RMB243.1 million for the year ended December 31, 2020 to approximately RMB412.1 million for the year ended December 31, 2021, which was mainly due to the increase in employees remuneration expenses as a result of the increase in headcount.

R&D Expenses

Our R&D expenses increased by 41.2% from approximately RMB202.0 million for the year ended December 31, 2020 to approximately RMB285.3 million for the year ended December 31, 2021, primarily due to the increase in depreciation and amortization, and employee remuneration expenses. Depreciation and amortization expenses increased along with our investment in R&D equipment, and with the expansion of business scale, employee compensation expenses increase accordingly.

Finance Costs

Our finance costs decreased by 56.4% from approximately RMB57.4 million for the year ended December 31, 2020 to approximately RMB25.0 million for the year ended December 31, 2021. Although the finance costs before capitalization incurred during the year increased from approximately RMB57.4 million for the year ended December 31, 2020 to approximately RMB88.5 million for the year ended December 31, 2021 as a result of the increase in bank borrowings, interest expenses of syndicated loans for certain projects amounting to approximately RMB63.6 million were capitalized. As a result, the expensed finance costs decreased.

FINANCIAL INFORMATION

Loss/profit for the Year

As a result of the foregoing, our financial result for the year changed from loss of RMB18.3 million for the year ended December 31, 2020 to profit of RMB111.5 million for the year ended December 31, 2021.

Year Ended December 31, 2019 Compared to Year Ended December 31, 2020

Revenue

Our revenue increased by 63.0% from RMB1,733.8 million for the year ended December 31, 2019 to RMB2,825.4 million for the year ended December 31, 2020. The increase was primarily due to the increase in revenue generated from our EV batteries.

EV battery

The revenue generated from sales of EV batteries increased by 77.3% from RMB1,409.9 million for the year ended December 31, 2019 to RMB2,499.3 million for the year ended December 31, 2020, which was primarily due to the increase in sales to certain major customers. The revenue generated from sales to Customer G increased from RMB461.2 million for the year ended December 31, 2019 to RMB1,557.5 million for the year ended December 31, 2020.

ESS

Revenue from sales of ESS products increased by 31.5% from RMB181.2 million for the year ended December 31, 2019 to RMB238.2 million for the year ended December 31, 2020, which was primarily due to the increase in sales volume from 0.20GWh for the year ended December 31, 2019 to 0.33GWh for the year ended December 31, 2020.

Others

Revenue from other products decreased by 38.4% from RMB142.8 million for the year ended December 31, 2019 to RMB87.9 million for the year ended December 31, 2020, which was primarily due to the sales to Luoyang Company before we acquired Luoyang Company as a subsidiary in July 2019, while such sales were no longer recognized at consolidated statement of profit or loss of the Group for the year ended December 31, 2020.

Cost of Sales

Cost of sales increased by 47.9% from RMB1,650.6 million for the year ended December 31, 2019 to RMB2,440.7 million for the year ended December 31, 2020. The increase was primarily due to the increase in raw materials and manufacturing costs as a result of the increase in sales volume.

FINANCIAL INFORMATION

Cost of Sales by Nature

Raw materials

The cost of raw materials increased by 46.1% from RMB1,271.0 million for the year ended December 31, 2019 to RMB1,856.6 million for the year ended December 31, 2020. The cost of raw materials as a percentage of total cost of sales decreased from 77.0% for the year ended December 31, 2019 to 76.1% for the year ended December 31, 2020. The growth of cost of raw materials was generally in line with the growth of sales.

Manufacturing costs

The manufacturing costs increased by 54.5% from RMB288.3 million for the year ended December 31, 2019 to RMB445.3 million for the year ended December 31, 2020. Manufacturing costs as a percentage of total cost of sales increased from 17.5% for the year ended December 31, 2019 to 18.2% for the year ended December 31, 2020. The overall increase in manufacturing costs was primarily due to the increase in depreciation and amortization, utility expense with the expansion of our scale of operation.

Direct labor costs

The labor costs increased by 52.0% from RMB91.3 million for the year ended December 31, 2019 to RMB138.8 million for the year ended December 31, 2020. Labor costs as a percentage of total cost of sales increased from 5.5% for the year ended December 31, 2019 to 5.7% for the year ended December 31, 2020. The overall growth of labor costs was in line with our business growth.

Cost of Sales by Products

EV battery

The cost of sales of EV batteries increased by 61.3% from RMB1,337.0 million for the year ended December 31, 2019 to RMB2,157.2 million for the year ended December 31, 2020. The growth of cost of sales in this product is generally in line with the growth of our revenue.

ESS

The cost of sales of ESS increased by 36.4% from RMB152.0 million for the year ended December 31, 2019 to RMB207.3 million for the year ended December 31, 2020. The growth of cost of sales in this product is generally in line with the growth of our revenue.

Others

The costs of sales of others decreased by 52.8% from RMB161.6 million for the year ended December 31, 2019 to RMB76.2 million for the year ended December 31, 2020, which was in line with the trend for the sales of our other products.

FINANCIAL INFORMATION

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 361.8% from RMB83.3 million for the year ended December 31, 2019 to RMB384.7 million for the year ended December 31, 2020, which was primarily due to the increase in revenue and gross profit margin. The overall gross profit margin increased from 4.8% for the year ended December 31, 2019 to 13.6% for the same period in 2020. The change in gross profit margin was primarily due to the benefits of economies of scale in our production volume as we are able to spread our fixed costs over a larger number of products sold.

EV battery

The gross profit of EV batteries increased by 369.3% from RMB72.9 million for the year ended December 31, 2019 to RMB342.1 million for the year ended December 31, 2020. The gross profit margin of EV batteries increased from 5.2% for the year ended December 31, 2019 to 13.7% for the same period in 2020, which was primarily due to the benefits of economies of scale in our production volume and we were able to spread our fixed costs over a larger number of products sold.

ESS

The gross profit of ESS products increased by 5.8% from RMB29.2 million for the year ended December 31, 2019 to RMB30.9 million for the year ended December 31, 2020. The gross profit margin of ESS products decreased from 16.1% for the year ended December 31, 2019 to 13.0% for the same period in 2020, which was primarily due to different products sold by us in 2019.

Others

Our gross profit generated from other products achieved a turnaround from loss of RMB18.8 million for the year ended December 31, 2019 to profit of RMB11.7 million for the year ended December 31, 2020. The gross profit margin increased from (13.2)% for the year ended December 31, 2019 to 13.3% for the same period in 2020. We had negative gross margin in 2019 due to our disposal of a batch of slow-moving products with relatively low price.

Investment and Other Income

Our investment and other income primarily consists of interest income from bank deposits and others. Our investment and other income increased by 69.0% from RMB18.7 million for the year ended December 31, 2019 to RMB31.6 million for the year ended December 31, 2020. The increase in our investment and other income was primarily attributable to the increase in our interest income, which in turn was a result of increase in bank deposits and financial products we purchased.

FINANCIAL INFORMATION

Government Grants and Subsidies

Our government grants and subsidies decreased by 56.3% from RMB308.6 million for the year ended December 31, 2019 to approximately RMB134.9 million for the year ended December 31, 2020, which was mainly attributable to the subsidies we received in relation to industry development and R&D in 2019, while there was no such large one-off subsidy received by us in 2020.

Other Gains and Losses, Net

Our other gains and losses turned from net loss of RMB142.0 million for the year ended December 31, 2019 to net gain of approximately RMB61.9 million for the year ended December 31, 2020. This is primarily because we carried out strategic stocking in 2019 in response to our planned production line upgrade in 2020, which led to a relatively high balance of inventories and consequently incurred allowance for inventories. While in 2020 the increase in our sales and our strengthened inventory management led to the reversal of allowance for inventories.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 56.8% from approximately RMB52.5 million for the year ended December 31, 2019 to approximately RMB82.3 million for the year ended December 31, 2020 primarily due to the expansion of our business scale. The main reason for the change is the increase in sales service fee and employee remuneration expenses. With the rapid development of our business, the provision of sales service fee increased with the revenue growth, and the number of employees increased with the expansion of our business.

Administrative Expenses

Our administrative expenses increased by 36.9% from approximately RMB177.6 million for the year ended December 31, 2019 to approximately RMB243.1 million for the year ended December 31, 2020, mainly due to our business expansion. The change is mainly due to the increase in business tax and property management fee with the expansion of the business scale. In addition, we incurred an increase in depreciation and amortization expenses as our office and electronic equipment increased.

R&D Expenses

Our R&D expenses increased by 48.6% from approximately RMB135.9 million for the year ended December 31, 2019 to approximately RMB202.0 million for the year ended December 31, 2020, primarily due to increase in employee remuneration expenses and material costs.

FINANCIAL INFORMATION

Finance Costs

Our finance costs increased by 39.3% from approximately RMB41.2 million for the year ended December 31, 2019 to approximately RMB57.4 million for the year ended December 31, 2020 primarily because we maintained a relatively high level of borrowings throughout the year ended December 31, 2020 as compare to 2019.

Loss for the Year

As a result of the foregoing, our loss for the year decreased by 88.3% from RMB156.4 million for the year ended December 31, 2019 to RMB18.3 million for the year ended December 31, 2020.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we satisfied the need of our operations primarily with net cash generated from our operations, bank borrowings and equity fund raising. Our primary uses of cash were to fund working capital and other recurring expenses, and capital expenditures.

Consolidated Statements of Cash Flows

The following table sets forth a summary of our consolidated cash flow statements for the years indicated.

	Year Ended December 31,		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash (used in)/generated from operating activities	(513,765)	1,942,229	1,586,003
Net cash used in investing activities	(1,250,963)	(5,263,527)	(15,007,227)
Net cash generated from financing activities	<u>2,044,325</u>	<u>4,569,990</u>	<u>14,837,464</u>
Net increase in cash and cash equivalents	279,597	1,248,692	1,416,240
Cash and cash equivalents at the beginning of the year	165,703	445,229	1,693,284
Effect of foreign exchange rate changes	<u>(71)</u>	<u>(637)</u>	<u>(6)</u>
Cash and cash equivalents at the end of the year	<u><u>445,229</u></u>	<u><u>1,693,284</u></u>	<u><u>3,109,518</u></u>

FINANCIAL INFORMATION

Net Cash (used in)/generated from operating activities

For the year ended December 31, 2021, net cash generated from operating activities amounted to RMB1,586.0 million, and was derived primarily from the following amounts plus profit before tax of RMB63.4 million: (i) an increase of RMB4,499.8 million in trade and bills payables related to business expansion; (ii) increase of RMB1,125.6 million in other payables and accruals; and (iii) RMB453.5 million in depreciation of property, plant and equipment, which was partially offset by (i) an increase in inventories of RMB1,963.6 million, and (ii) an increase in trade and bills receivables of RMB2,088.5 million.

For the year ended December 31, 2020, net cash generated from operating activities amounted to RMB1,942.2 million, and was derived primarily from the following amounts plus a profit before tax of RMB4.3 million: (i) an increase of RMB228.9 million in trade and bills payables; (ii) a decrease of RMB598.9 million in inventories; (iii) RMB214.6 million in depreciation of property, plant and equipment; and (iv) an increase of RMB740.9 million in other payables and accruals.

For the year ended December 31, 2019, net cash used in operating activities amounted to RMB513.8 million, and was derived primarily from the following amounts plus a loss before tax of RMB184.5 million: an increase of RMB666.6 million in inventories due to strategic stocking in preparation of production line upgrade, which was partially offset by RMB203.1 million of depreciation in property, plant and equipment.

Net cash used in investing activities

For the year ended December 31, 2021, net cash used in investing activities amounted to RMB15,007.2 million, which was primarily due to (i) purchases of other financial assets of RMB17,485.0 million; (ii) payment of property, plant and equipment of RMB8,853.0 million; (iii) deposit of RMB1,269.7 million paid for the purchase and construction of property, plant and equipment; and (iv) increase of RMB786.6 million in pledged bank deposits, which was partially offset by the proceeds of RMB13,930.0 million from disposal of other financial assets.

Net cash used in investing activities was RMB5,263.5 million in 2020, which was primarily due to (i) purchase of other financial assets of RMB2,863.0 million; (ii) payment of property, plant and equipment of RMB2,603.9 million; (iii) additions of intangible assets of RMB296.9 million due to investment in development cost and patents; and (iv) deposit of RMB231.7 million paid for the acquisition and construction of property, plant and equipment, which was partially offset by (i) a decrease of RMB446.5 million in pledged bank deposits and (ii) proceeds of RMB352.0 million from disposal of other financial assets.

Net cash used in investing activities was RMB1,251.0 million in 2019, which was primarily due to (i) payment of property, plant and equipment of RMB1,088.6 million; (ii) increase of RMB492.7 million in pledged bank deposits; and (iii) purchases of other financial assets of RMB310.0 million, which was partially offset by a decrease of RMB626.3 million in restricted bank balances.

FINANCIAL INFORMATION

Net cash generated from financing activities

In 2021, net cash generated from financing activities amounted to RMB14,837.5 million, which was primarily due to net proceeds from issuance of shares of RMB11,990 million and net increase in bank borrowings of RMB2,371.6 million.

In 2020, net cash generated from financing activities amounted to RMB4,570.0 million, which was primarily due to the amounts of RMB4,810.8 million from net proceeds from issuance of shares, which was partially offset by repayment of bank borrowings and other loans of RMB114.3 million.

In 2019, net cash generated from financing activities amounted to RMB2,044.3 million, which was primarily due to the net proceeds of RMB1,910.0 million from issuance of shares.

NET CURRENT ASSETS

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

	As of December 31,			As of
	2019	2020	2021	January 31, 2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)
Current assets				
Inventories	1,309,227	760,326	1,756,784	2,235,398
Trade and bills receivables	1,141,881	1,246,319	2,714,704	3,456,283
Prepayments, deposits and other receivables	534,080	628,621	1,645,749	1,910,780
Amount due from related parties	6,717	5,769	1,924,932	2,161,391
Other financial assets	89,726	2,603,689	6,182,575	4,357,396
Current tax assets	402	302	–	–
Pledged bank deposits	1,078,744	632,233	1,251,564	1,826,151
Restricted bank balances	1,422	252	252	252
Bank and cash balances	445,229	1,693,284	3,109,518	1,830,026
	<u>4,607,428</u>	<u>7,570,795</u>	<u>18,586,078</u>	<u>17,777,677</u>
Current liabilities				
Trade and bills payables	2,036,979	2,656,718	6,316,866	7,253,176
Accruals and other payables	645,430	1,510,634	2,118,779	2,206,836
Contract liabilities	26,585	32,014	106,918	164,304
Amounts due to related parties	50,780	29,258	22,864	19,802
Lease liabilities	22,230	5,346	11,042	17,236
Bank borrowings	626,810	687,459	3,647	–
Other loans	175,711	60,564	–	–
Provisions	48,675	84,827	136,396	154,770
Financial guarantee	–	–	12,354	12,354
Put option liabilities	–	–	941,132	1,173,064
Current tax liabilities	–	–	220,352	220,352
	<u>3,633,200</u>	<u>5,066,820</u>	<u>9,890,350</u>	<u>11,221,894</u>
Net current assets	<u>974,228</u>	<u>2,503,975</u>	<u>8,695,728</u>	<u>6,555,783</u>

FINANCIAL INFORMATION

Our net current assets decreased from RMB8,695.7 million as of December 31, 2021 to RMB6,555.8 million as of January 31, 2022, primarily due to (i) an increase in trade and bills payables; (ii) an increase in put option liabilities; (iii) a decrease in bank and cash balances; and (iv) a decrease in other financial assets, partially offset by (i) an increase in inventories; (ii) an increase in trade and bills receivables; and (iii) an increase in prepayments, deposits and other receivables.

Our net current assets increased from RMB2,504.0 million as of December 31, 2020 to RMB8,695.7 million as of December 31, 2021, primarily due to (i) an increase in trade and bills receivables; (ii) an increase in other financial assets; (iii) a decrease in bank borrowings; (iv) an increase in bank and cash balances; (v) an increase in prepayments, deposits and other receivables; (vi) an increase in amount due from related parties and (vii) an increase in inventory, partially offset by (i) an increase in accruals and other payables; and (ii) increase in trade and bills payables.

Our net current assets increased from RMB974.2 million as of December 31, 2019 to RMB2,504.0 million as of December 31, 2020, primarily due to (i) increase in other financial assets; (ii) increase in bank and cash balances as our business expanded; and (iii) decrease in other loans; partially offset by (i) decrease in inventories; (ii) decrease in pledged bank deposits; (iii) increase in trade and bill payables; (iv) increase in bank borrowings; and (v) increase in accruals and other payables.

ANALYSIS OF SELECTED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Property, Plant and Equipment

Our property, plant and equipment mainly consist of (i) building, (ii) machinery and (iii) construction in progress. The following table sets forth a breakdown of the net book amount of our property, plant and equipment as of the dates indicated:

	As of December 31,		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Buildings	1,493,110	2,989,664	3,159,272
Machinery	1,857,557	1,836,661	3,068,269
Construction in progress	1,405,861	3,592,425	8,771,908
Computer equipment	22,801	39,311	93,262
Furniture and office equipment	19,363	52,525	99,323
Motor vehicles	4,996	4,499	3,903
Leasehold improvement	41,988	51,383	55,565
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Total	4,845,676	8,566,468	15,251,502
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

FINANCIAL INFORMATION

Our property, plant and equipment increased from RMB8,566.5 million as of December 31, 2020 to RMB15,251.5 million as of December 31, 2021. The growth was mainly due to the increase in the number of construction in progress, which related to the addition of major projects in 2021 based on our business plan, and is partially offset by the depreciation of the relevant assets.

Our property, plant and equipment increased from RMB4,845.7 million as of December 31, 2019 to RMB8,566.5 million as of December 31, 2020. The increase was mainly due to (i) an increases in buildings assets, and (ii) an increases in construction in progress at one of our production base, which is partially offset by the depreciation of the relevant assets.

Intangible Assets

Our intangible assets mainly consist of development cost and patent and proprietary technology. The following table sets forth a summary of our intangible assets balances as of the dates indicated.

	As of December 31,		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Patent and proprietary technology	443,315	386,484	808,836
Development cost	85,849	362,873	198,099
Computer software	23,034	27,472	66,006
Others	17	13	2,066
	<hr/>	<hr/>	<hr/>
Total	552,215	776,842	1,075,007
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Our intangible assets increased from RMB776.8 million as of December 31, 2020 to RMB1,075.0 million as of December 31, 2021, mainly due to the increase in patents and proprietary technology as (i) result of transfer of development costs to patents and proprietary technology; and (ii) the patents and proprietary technology we purchased from Luoyang Company.

Our intangible assets increased from RMB552.2 million as of December 31, 2019 to RMB776.8 million as of December 31, 2020, mainly due to an increase in our development costs as a result of our continuous R&D efforts, partially offset by the amortization of our patents and proprietary technology.

FINANCIAL INFORMATION

Inventories

Our inventories consist of raw materials, work in progress and finished goods. To minimize the risk of inventory accumulation, we review our inventory levels on a regular basis. We believe that maintaining appropriate levels of inventories can help us better plan raw material procurement and deliver our products to meet customer demand in a timely manner without straining our liquidity. The following table sets forth a summary of our inventory balances as of the dates indicated.

	As of December 31,		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	129,560	214,860	1,079,889
Work in progress	432,481	193,861	192,848
Finished goods	747,186	351,605	484,047
	1,309,227	760,326	1,756,784

Note: Finished goods as of December 31, 2019 includes goods in transit of RMB2.5 million.

Our inventory increased from RMB760.3 million as of December 31, 2020 to RMB1,756.8 million as of December 31, 2021, primarily due to (i) the trend of the increase in the price of raw materials, in response to which we implemented strategic stocking for raw materials in 2021; and (ii) a safety stock in advance for finished goods implemented by us in 2021 according to the production plan.

Our inventory decreased from RMB1,309.2 million as of December 31, 2019 to RMB760.3 million as of December 31, 2020, mainly because (i) we strengthened our inventory management amid the growth of sales, and (ii) in 2019, we implemented strategic stocking for both work in progress and finished goods in advance for the technological upgrading of the production line in order to ensure the sufficient supply of products in 2020.

As of January 31, 2022, our inventories as of December 31, 2021 have been consumed or sold by RMB1,360.4 million.

The following table sets forth our inventories turnover days for the years or the period indicated.

	For the year ended December 31,		
	2019	2020	2021
Inventory turnover days	163	155	71

Note: Inventory turnover days equals the average of the beginning and ending inventories for the year divided by cost of sales for the year and multiplied by the number of days of the year.

FINANCIAL INFORMATION

Our inventory turnover days decreased from 163 days for the year ended December 31, 2019 to 71 days for the year ended December 31, 2021, which was primarily due to the increase in sales and strengthened inventory management, resulting in the significant acceleration of inventory turnover.

Trade and Bills Receivables

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

	As of December 31,		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	596,799	1,034,524	2,143,559
Bills receivables	641,723	331,409	608,336
	<u>1,238,522</u>	<u>1,365,933</u>	<u>2,751,895</u>
Allowance for impairment	(96,641)	(119,614)	(37,191)
	<u>1,141,881</u>	<u>1,246,319</u>	<u>2,714,704</u>

Our trade and bills receivables increased from RMB1,246.3 million as of December 31, 2020 to RMB2,714.7 million as of December 31, 2021, primarily due to the significant increase in sales along with our business expansion.

Our trade and bills receivables increased slightly from RMB1,141.9 million as of December 31, 2019 to RMB1,246.3 million as of December 31, 2020, primarily due to an increase in the sales of our products. Our revenue increased significantly but our trade and bills receivables did not have a corresponding significant increase, which was attributable to the increase in our sales to customers who provide advance payment.

The significant decrease in the allowance for impairment of our trade and bills receivables as of December 31, 2021 was attributable to the disposal of Luoyang Company.

As of January 31, 2022, RMB634.2 million of our trade receivables as of December 31, 2021 have been collected.

The following table sets forth our trade receivables turnover days for the years indicated.

	For the year ended December 31,		
	2019	2020	2021
Trade receivables turnover days	<u>134</u>	<u>91</u>	<u>81</u>

Note: The turnover days of trade receivables is calculated as the average of the beginning and ending balances of trade receivables for the year divided by the revenue for the year and multiplied by the number of days of the year.

FINANCIAL INFORMATION

Our trade receivables turnover days decreased from 134 days in 2019 to 91 days in 2020, and further decreased to 81 days in 2021, which is mainly due to the change in customer structure, the increase in our sales to customers who provide advance payment and the reduction in credit period. We generally grant our customers a credit period of 30 to 90 days.

The following table sets forth the aging analysis of our trade receivables, presented based on the invoice date, as of the dates indicated.

	As of December 31,		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 180 days	354,922	772,707	2,077,688
181 to 365 days	32,875	76,620	7,559
1 to 2 years	92,450	27,743	21,121
Over 2 years	19,911	37,840	–
	<hr/>	<hr/>	<hr/>
Total	<u>500,158</u>	<u>914,910</u>	<u>2,106,368</u>

Prepayments, Deposits and Other Receivables

The following table sets forth our prepayments, deposits and other receivables as of the dates indicated.

	As of December 31,		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Deposits paid for acquisition of property, plant and equipment	252,455	484,181	1,675,984
Prepayments	54,833	48,659	571,998
Other tax receivables	395,541	542,868	1,042,216
Other receivables	83,706	37,094	31,535
	<hr/>	<hr/>	<hr/>
	<u>786,535</u>	<u>1,112,802</u>	<u>3,321,733</u>

Note: Other receivables include government subsidies receivable, deposits and rental income receivable, etc.

Our prepayment, deposits and other receivables increased from RMB1,112.8 million as of December 31, 2020 to RMB3,321.7 million as of December 31, 2021, primarily due to an increase in (i) deposit paid for acquisition and construction of property, plant and equipment as we continued to expand our production capacity, (ii) prepayments for materials and (iii) an increase in the amount of tax credit for the input of value-added tax.

FINANCIAL INFORMATION

Our prepayment, deposits and other receivables increased from RMB786.5 million as of December 31, 2019 to RMB1,112.8 million as of December 31, 2020, primarily due to (i) an increase in deposit paid for acquisition of property, plant and equipment and (ii) an increase in the amount of tax credit for the input of value-added tax.

Other Financial Assets

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

	As of December 31,		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Investment in wealth management product, at fair value	89,726	–	–
Investments in structured products, at fair value	–	1,002,420	3,713,705
Certificate of deposit	–	1,601,269	2,468,870
	<u>89,726</u>	<u>2,603,689</u>	<u>6,182,575</u>

Our other financial assets increased from RMB89.7 million as of December 31, 2019 to RMB2,603.7 million as of December 31, 2020 and then to RMB6,182.6 million as of December 31, 2021, primarily due to capital contributions we received from investors in 2020 and 2021. In order to improve the capital utilization efficiency and reduce the capital cost, we used part of the capitals received to purchase bank deposit products.

Amounts Due from Related Parties

The following table sets forth our amounts due from related parties as of the dates indicated.

	As of December 31,		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amounts due from associates	3,666	–	945,351
Amount due from a joint venture	29	3,550	–
Amounts due from subsidiaries of shareholders	3,022	–	979,200
Amount due from a shareholder	–	2,219	381
	<u>6,717</u>	<u>5,769</u>	<u>1,924,932</u>

FINANCIAL INFORMATION

Our amounts due from related parties decreased from RMB6.7 million as of December 31, 2019 to RMB5.8 million as of December 31, 2020 and then increased to RMB1,924.9 million as of December 31, 2021. The material increase in amounts due from related parties in 2021 was primarily due to (i) an increase in amount due from Luoyang Company as Luoyang Company became an associate after the disposal and an increase in prepayment to Luoyang Company in connection with entrusted processing services; and (ii) an increase in amount due from Jincheng Technology in relation to the consideration receivable on the disposal of Luoyang Company.

Trade and Bills Payables

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

	As of December 31,		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bills payables	1,129,992	1,383,929	2,871,688
Trade payables	906,987	1,272,789	3,445,178
	2,036,979	2,656,718	6,316,866

Our trade payables mainly relate to the procurement of raw materials from our suppliers. The trade payables are non-interest-bearing and normally settled within 180 days.

Our trade and bills payables increased from RMB2,656.7 million as of December 31, 2020 to RMB6,316.9 million as of December 31, 2021, due to increases in both bills payables and trade payables, which was a result of increase in raw material purchase to support our expanding operation.

Our trade and bills payables increased from RMB2,037.0 million as of December 31, 2019 to RMB2,656.7 million as of December 31, 2020, primarily due to (i) the increase in the payables related to raw material purchase, and (ii) the increase in our settlements with suppliers with bank acceptance bills in 2020.

Our trade payables as of December 31, 2021 were paid up to RMB2,117.2 million as of January 31, 2022.

The following table sets forth our trade payables turnover days for the years indicated.

	For the year ended December 31,		
	2019	2020	2021
Trade payables turnover days	131	163	134

Note: The trade payables turnover days is calculated as the average of the beginning and ending balances of the trade payables for the year divided by the cost of sales of the year and multiplied by the number of days in the year.

FINANCIAL INFORMATION

The change in our trade payables turnover days during the Track Record Period is mainly due to the increase in our settlements with suppliers with bank acceptance bills in 2020 in order to slow down the outflow of cash, which led to the increase in our trade payables turnover days. In 2021, as the raw material market supply was under tension, we accelerated to make payment to prepare strategic stocking in advance and ensure the supply of raw materials, which led to the decrease in our trade payables turnover days compared with 2020.

The following table sets forth the aging analysis of our trade payables as of the dates indicated, based on the invoice date.

	As of December 31,		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 180 days	859,219	1,234,387	3,439,948
181 to 365 days	34,320	17,712	976
1 to 2 years	12,089	10,579	654
Over 2 years	1,359	10,111	3,600
	<hr/>	<hr/>	<hr/>
Total	<u>906,987</u>	<u>1,272,789</u>	<u>3,445,178</u>

During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that we did not default in payment of any trade and bills payables.

Other Payables and Accruals

The following table sets forth our other payables and accruals as of the dates indicated.

	As of December 31,		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Deposits received	19,086	42,530	82,074
Accrued salaries	113,379	150,768	139,657
Accrued expenses	11,711	17,975	142,838
Payable for property, plant and equipment	468,923	736,564	1,207,095
Fund advanced from government	–	500,000	500,000
Other tax payable	8,504	24,626	21,406
Other	23,827	38,171	25,709
	<hr/>	<hr/>	<hr/>
	<u>645,430</u>	<u>1,510,634</u>	<u>2,118,779</u>

FINANCIAL INFORMATION

Our other payables and accruals increased from RMB1,510.6 million as of December 31, 2020 to RMB2,118.8 million as of December 31, 2021, primarily due to increases in amounts payable for property, plant and equipment, which is in line with our production expansion.

Our other payables and accruals increased from RMB645.4 million as of December 31, 2019 to RMB1,510.6 million as of December 31, 2020, primarily due to (i) receipt of fund advanced from government in relation to R&D and operation, and (ii) increase in our payables for property, plant and equipment, which is in line with our production expansion.

Financial Position of Luoyang Company

In 2019, we completed the acquisition of Luoyang Company. Please see “History, Development and Corporate Structure – Our Corporate Development – Major changes in shareholding and corporate form – Equity transfer and capital increases in July 2019” for more details.

Luoyang Company constituted a material portion of our financial results during the Track Record Period. To facilitate our investors to understand the financial position of Luoyang Company, we set forth the financial information of Luoyang Company as follows.

Luoyang Company

	Year Ended December 31,	
	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Non-current assets	2,311,244	2,445,299
Current assets	2,868,419	2,100,095
Current liabilities	<u>(2,814,836)</u>	<u>(2,445,153)</u>
Net current assets/(liabilities)	<u>53,583</u>	<u>(345,058)</u>
Total assets less current liabilities	<u>2,364,827</u>	<u>2,100,241</u>
Non-current liabilities	(614,707)	(438,918)
Net assets	<u><u>1,750,120</u></u>	<u><u>1,661,323</u></u>

Note: Luoyang Company was disposed by the Company and became an associate on November 8, 2021.

FINANCIAL INFORMATION

The Group (Excluding Luoyang Company)

	Year Ended December 31,	
	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Non-current assets	4,215,169	8,259,804
Current assets	1,739,009	5,494,700
Current liabilities	<u>(818,364)</u>	<u>(2,621,667)</u>
Net current assets	<u>920,645</u>	<u>2,873,033</u>
Total assets less current liabilities	<u>5,135,814</u>	<u>11,132,837</u>
Non-current liabilities	<u>(820,135)</u>	<u>(185,539)</u>
Net assets	<u><u>4,315,679</u></u>	<u><u>10,947,298</u></u>

WORKING CAPITAL SUFFICIENCY STATEMENT

In view of the positive turning of our operating cash flows, increase in net current assets, and gradual narrow-down of the losses from operations during the Track Record Period, based on our cash flow projections and taking into account the cash and cash equivalents on hand as of the date of this document and the financial resources available to us, our Directors are of the opinion that we have sufficient working capital for our present requirement, which is, for at least the next 12 months from the date of this document.

FINANCIAL INFORMATION

INDEBTEDNESS

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

	As of December 31			As of
	2019	2020	2021	January 31, 2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)
Current				
Loan from a subsidiary of a shareholder	45,907	–	–	–
Lease liabilities	22,230	5,346	11,042	17,236
Bank borrowings	626,810	687,459	3,647	–
Other loans	175,711	60,564	–	–
Financial guarantees	–	–	12,354	12,354
Put option liabilities	–	–	941,132	1,173,064
	<u>870,658</u>	<u>753,369</u>	<u>968,175</u>	<u>1,202,654</u>
Non-current				
Loan from a shareholder	650,260	–	–	–
Lease liabilities	69,511	5,612	15,709	82,353
Bank borrowings	249,019	140,000	2,887,000	3,384,000
Other loans	163,735	212,982	–	–
	<u>1,132,525</u>	<u>358,594</u>	<u>2,902,709</u>	<u>3,466,353</u>
	<u><u>2,003,183</u></u>	<u><u>1,111,963</u></u>	<u><u>3,870,884</u></u>	<u><u>4,669,007</u></u>

As of January 31, 2022, all of our bank borrowings were secured by certain property, plant and equipment and right of use assets. Our total bank borrowings decreased from RMB875.8 million as of December 31, 2019 to RMB827.5 million as of December 31, 2020 primarily because of the decrease in loans more than one year, but not exceeding two years. Our bank borrowings as of December 31, 2021 was RMB2,890.6 million primarily because of the increase in loans in order to meet the capital needs of our business expansion and the continuous investment in major projects.

As of January 31, 2022, our Company had unutilized bank borrowing facility of RMB2,966.0 million.

FINANCIAL INFORMATION

FINANCIAL GUARANTEES

As of January 31, 2022, the Group has provided financial guarantee in respect of bank borrowings granted to Luoyang Company. The maximum potential liability of the Group as of January 31, 2022 under the aforesaid financial guarantee was approximately RMB140.0 million.

PUT OPTION LIABILITIES

The Company has signed investment agreements containing put options (the “**Written Put Option(s)**”) with certain non-controlling interest shareholders of the Company’s subsidiaries. The Written Put Options give the non-controlling interest shareholders the right to demand that the Company repurchase the equity interests of the subsidiaries held by the non-controlling shareholders within specified periods at the put option exercise prices. According to the investment agreements, such Written Put Option will be terminated automatically and of no effect on the date when our Company submits our listing application for the listing of our Shares on any domestic or foreign stock exchange. If subsequently our Company withdraws our listing application or our listing application is not approved, such Written Put Option will be automatically restored. As of December 31, 2021 and January 31, 2022, the Company has put option liabilities at fair value amounted to approximately RMB941.1 million and RMB1,173.1 million.

CONTINGENT LIABILITIES

The Group has the following contingent liabilities:

- (a) As of December 31, 2021, the Group has Claims disclosed in “Business – Regulatory compliance and legal proceedings – Intellectual Property Infringement Claims” claimed for total damages of RMB185 million and cost of RMB3 million.
- (b) The Group endorsed certain bills receivables for the settlement of trade and other payables. For details, please see Note 48 of Section B to the Accountant’s Report set out in Appendix I to this Document. The maximum exposure to the Group that may result from the default of these endorsed bills are as follows:

	As of December 31,			As of
	2019	2020	2021	January 31,
	RMB’000	RMB’000	RMB’000	2022
				RMB’000
				(unaudited)
Endorsed bills for settlement of trade and other payables	93,865	25,131	111,950	37,914

FINANCIAL INFORMATION

Post-Track Record Period Financing

As of the Latest Practicable Date, in addition to the bank borrowings and facilities mentioned above, we was in the process of obtaining approvals for banking facilities of approximately RMB16.0 billion. All the banking facilities will be utilized for expansion and construction of lithium-ion battery manufacturing plant and supplementary of working capital purposes.

Except for our indebtedness as disclosed above, we did not have outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptance (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities as of January 31, 2022, being the latest practicable date for our indebtedness statement.

Except for our indebtedness as disclosed above, since December 31, 2021 and up to the date of this document, there has not been any material and adverse change in our indebtedness and contingent liabilities. Our Directors do not foresee any potential difficulty in obtaining bank facilities should the need arise.

CAPITAL EXPENDITURES

Our capital expenditures increased from RMB1,342.7 million for the year ended December 31, 2019 to RMB3,030.1 million for the year ended December 31, 2020, and further to RMB9,648.5 million for the year ended December 31, 2021. Our capital expenditures were used primarily for the expansion of our production capacities, including the construction of additional production facilities and the upgrading of our existing machinery and equipment. The following table sets forth our capital expenditures for the years indicated.

	Years Ended December 31,		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Property, plant and equipment and right-of-use assets	1,245,287	2,733,125	9,120,873
Intangible assets	97,453	296,935	527,597
	<u>1,342,740</u>	<u>3,030,060</u>	<u>9,648,470</u>
Total	<u>1,342,740</u>	<u>3,030,060</u>	<u>9,648,470</u>

FINANCIAL INFORMATION

CAPITAL COMMITMENTS

Our capital commitments during the Track Record Period were primarily relating to the acquisition of property, plant and equipment, intangible assets and capital contribution to associates. As of December 31, 2019, 2020 and 2021, the total amount of our capital expenditures contracted for but not yet incurred was RMB1,249.1 million, RMB2,477.8 million and RMB16,895.0 million, respectively.

	As of December 31,		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Property, plant and equipment	1,195,253	2,469,278	16,857,495
Intangible assets	1,821	8,492	37,492
Capital contribution to associates	52,000	–	–
Total	<u>1,249,074</u>	<u>2,477,770</u>	<u>16,894,987</u>

OFF-BALANCE SHEET ARRANGEMENTS

We have not entered into, nor do we expect to enter into, any off-balance sheet arrangements. In addition, we have not entered into any derivative contracts that are indexed to our equity interests and classified as owners’ equity. 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 that engages in leasing, hedging or R&D services with us.

KEY FINANCIAL RATIOS

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

	Year Ended December 31,		
	2019	2020	2021
Return on equity (%) ⁽¹⁾	NM ⁽³⁾	NM ⁽³⁾	0.4
Return on assets (%) ⁽²⁾	NM ⁽³⁾	NM ⁽³⁾	0.3
Gearing ratio (%) ⁽⁴⁾	33.0	8.8	15.5
Current ratio (time) ⁽⁵⁾	1.3	1.5	1.9
Quick ratio (time) ⁽⁶⁾	0.9	1.3	1.7

FINANCIAL INFORMATION

Notes:

1. Return on equity is calculated based on the profit for the relevant year divided by the ending balance of total equity and multiplied by 100%.
2. Return on assets is calculated based on the profit for the relevant year divided by the ending balance of total assets and multiplied by 100%.
3. NM: The metric is not meaningful due to net loss recorded during the relevant years.
4. Gearing ratio is calculated based on the loans from related parties, lease liabilities, bank borrowings, other loans, financial guarantees and put option liabilities divided by total equity as at the respective year and multiplied by 100%.
5. Current ratio is calculated based on the total current assets divided by the total current liabilities as at the end of the respective year.
6. Quick ratio is calculated as total current assets less inventories divided by the total current liabilities as at the end of the respective year.

Gearing ratio

Gearing ratio increased from 8.8% as of December 31, 2020 to 15.4% as of December 31, 2021, mainly due to the increase in the Group’s bank borrowings. The Group’s bank borrowings increased from RMB827.5 million as of December 31, 2020 to RMB2,890.6 million as of December 31, 2021 to meet the capital needs of the Group’s business expansion and the continuous investment in major projects.

Gearing ratio decreased from 33.0% as of December 31, 2019 to 8.8% as of December 31, 2020, mainly due to the increase in the Group’s total equity, which was mainly attributable to (i) the net proceeds from issuance of capital of RMB4,810.8 million in 2020; (ii) the capital injection in the form of non-monetary assets (including land, building and equipment) of RMB1,080.6 million; and (iii) the conversion of loan from a shareholder of approximately RMB650.3 million to capital in 2020.

Current ratio

The Group’s current ratio increased from 1.5 as of December 31, 2020 to 1.9 as of December 31, 2021, which was attributable to the increase in bank and cash balances from RMB1,693.3 million as of December 31, 2020 to RMB3,109.5 million as of December 31, 2021. The Group received net proceeds from issuance of capital of RMB11,990 million.

The Group’s current ratio increased from 1.3 as of December 31, 2019 to 1.5 as of December 31, 2020, which was attributable to the increase in bank and cash balances from RMB445.2 million as of December 31, 2019 to RMB1,693.3 million as of December 31, 2020. The Group received proceeds from issuance of capital of RMB4,810.8 million.

Quick ratio

The quick ratio increased from 0.9 in 2019 to 1.3 in 2020, and increased to 1.7 in 2021. The trend of our quick ratio was in line with the current ratio as disclosed above.

FINANCIAL INFORMATION

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency Risk

Our business is principally located in the PRC and our transactions are mainly settled in Renminbi. Most of our assets and liabilities were denominated in RMB, except for certain bank balances denominated in U.S. dollars and other foreign currencies as disclosed in note 6(a) in the Accountants' Report in Appendix I to this document. Our assets and liabilities denominated in U.S. dollars were mainly incurred from sales to and procurement from overseas companies outside PRC which had U.S. dollars as their functional currency, and we did not have material foreign currency transactions in PRC during the Track Record Period. Therefore, we did not have material foreign currency risks during the Track Record Period.

Interest Rate Risk

Our exposure to interest-rate risk mainly arises from its bank deposits and bank borrowings. These deposits and borrowings bear interests at variable rate varied with the then prevailing market condition.

Please see note 6(d) in Appendix I to this document for further details.

Credit Risk

We are exposed to credit risk from our operating activities (primarily trade receivables) and from our financing activities, including deposits with banks and financial institutions, and other financial instruments. Our exposure to credit risk arising from cash and cash equivalents and restricted bank balances is limited because the counterparties are banks and financial institutions with high credit-rating assigned by international credit-rating agencies, for which we consider to have low credit risk. For further details for our credit risk please see note 6(b) to the Accountants' Report in Appendix I to this document.

Liquidity Risk

We monitor our exposure to a shortage of funds by considering the maturity of both our financial liabilities and financial assets and projected cash flows from operations. Our policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. For further details for our liquidity risk please see note 6(c) to the Accountants' Report in Appendix I to this document.

RELATED PARTY TRANSACTIONS AND BALANCES

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family member are also considered as related parties. For a discussion of related party transactions, see note 51 to the Accountants' Report in Appendix I to this document.

FINANCIAL INFORMATION

DIVIDEND POLICY

We did not pay or declare any dividends during the Track Record Period. We currently do not have a pre-determined dividend payout ratio. The Board may declare and our Company may pay dividend after taking into account our results of operations, financial condition, operational and capital expenditure requirements, future business development strategies and estimates and other factors that may be deemed as relevant.

DISTRIBUTABLE RESERVES

As of December 31, 2019, 2020 and 2021, we had no reserves available for distribution.

NO MATERIAL ADVERSE CHANGE

After due and careful consideration, our Directors confirm that, up to the date of this document, there has not been any material adverse change in our financial or trading position or prospects since December 31, 2021, and there is no event since December 31, 2021 which would materially affect the data shown in the Accountants’ Report set out in Appendix I to this document.

[REDACTED] EXPENSES

[REDACTED] expenses represent professional fees, [REDACTED] and other fees incurred in connection with the [REDACTED]. We incurred [REDACTED] expenses of HK\$19.2 million for the year ended December 31, 2021. We expect to incur additional [REDACTED] expenses of approximately [REDACTED] (assuming the [REDACTED] is not exercised and based on the [REDACTED] of [HK\$[REDACTED]] per [REDACTED], being the [mid-point] of the [REDACTED] range). The [REDACTED] expenses we incurred in the Track Record Period and expect to incur would consist of approximately [REDACTED] and approximately [REDACTED] non-[REDACTED]. Among the total [REDACTED] expenses which we expect to incur, approximately [REDACTED] is expected to be charged to profit or loss, and approximately [REDACTED] is expected to be capitalized, which will be deducted from equity upon the [REDACTED]. Our total [REDACTED] expenses are estimated to account for [REDACTED] of the gross proceeds of the [REDACTED] (assuming the [REDACTED] is not exercised and based on the [REDACTED] of [HK\$[REDACTED]] per [REDACTED], being the mid-point of the [REDACTED] range). The [REDACTED] expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Please see “Business – Our Strategies” for a detailed discussion of our future plans.

We estimate the net proceeds of the [REDACTED] which we will receive, assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the [REDACTED] range stated in the Document), will be approximately HK\$[REDACTED] million, after deduction of [REDACTED] and commissions and estimated expenses payable by us in connection with the [REDACTED] and assuming the [REDACTED] is not exercised.

USE OF PROCEEDS

In accordance with our strategy, we plan to use the proceeds for the following intended purposes in the amounts set forth below:

- Approximately [REDACTED] of the proceeds (approximately HK\$[REDACTED] million) will be used to build and expand a number of production base projects for EV battery and ESS products, of which:
 - (i) [REDACTED] of the proceeds (approximately HK\$[REDACTED] million) will be used to purchase equipment, materials and others,
 - (ii) [REDACTED] of the proceeds (approximately HK\$[REDACTED] million) will be used for construction of plants and ancillary structures,
 - (iii) [REDACTED] of the proceeds (approximately HK\$[REDACTED] million) will be used for preliminary planning and trial production of related activities.

Based on the existing fund raising and investment projects, we estimate the current production capacity of each relevant production base is expected to range from 10GWh to 20GWh. The corresponding investment amount of each production base will range from approximately RMB5,000 million to RMB10,000 million. At the same time, we will expand the existing production bases, add various production lines, and continue with technological transformation and upgrade. We expect our effective production capacity to expand to approximately 25GWh and approximately 55GWh in 2022 and 2023, respectively.

We believe that the production capacity of our existing production bases and building new production bases and facilities will help improve our economies of scale, support our business expansion and continue to drive the development of battery industry. Based on our expectation that the EV battery market and ESS market will continue to grow rapidly, in particular the EV battery market for NEVs, we believe it is crucial to expand our production capacity and establish new production bases.

FUTURE PLANS AND USE OF PROCEEDS

- Approximately [REDACTED] of the proceeds (approximately HK\$[REDACTED] million) will be used for R&D of advanced technologies to maintain technological leadership, which include:
 - (i) approximately [REDACTED] (approximately HK\$[REDACTED] million) will be used for the development of core technologies for advanced materials, advanced batteries and battery lifespan management.
 - (ii) approximately [REDACTED] (approximately HK\$[REDACTED] million) will be used for experiments, pilot capacity building and advanced manufacturing technology development.
- Approximately [REDACTED] of the proceeds (approximately HK\$[REDACTED] million) will be used for working capital and general corporate purposes.

If the [REDACTED] is fixed at HK\$[REDACTED] per [REDACTED] (being the high end of the [REDACTED] range stated in this document), we will receive additional net proceeds of approximately HK\$[REDACTED] million, assuming the [REDACTED] is not exercised. If the [REDACTED] is fixed at HK\$[REDACTED] per [REDACTED] (being the low end of the [REDACTED] range stated in this document), the net proceeds we receive will be reduced by approximately HK\$[REDACTED] million, assuming the [REDACTED] is not exercised. The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the [REDACTED] is fixed at a higher or lower level compared to the midpoint of the estimated [REDACTED] range.

In the event that the [REDACTED] is exercised in full, the additional net proceeds that we would receive would be HK\$[REDACTED] million (assuming an [REDACTED] of HK\$[REDACTED] per Share, being the mid-point of the [REDACTED] range stated in the Document). Additional net proceeds received due to the exercise of any [REDACTED] will be used for the above purposes accordingly on a pro rata basis if the [REDACTED] is exercised.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we propose to deposit the net proceeds into short-term deposits or money market instruments.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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STRUCTURE OF THE [REDACTED]

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STRUCTURE OF THE [REDACTED]

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STRUCTURE OF THE [REDACTED]

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HOW TO APPLY FOR [REDACTED]

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HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

APPENDIX I

ACCOUNTANT’S REPORT

The following is the text of a report set out on pages [I-1] to [I-134], received from the Company’s reporting accountant, RSM Hong Kong, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Document.

[To insert the firm’s letterhead]

ACCOUNTANT’S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CALB CO., LTD. AND HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED

Introduction

We report on the historical financial information of CALB Co., Ltd. (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages [I-3] to [I-134], which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2019, 2020 and 2021, and the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years then ended (the “**Track Record Period**”), and a summary of significant accounting policies and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out in Sections A, B and C on pages [I-3] to [I-134] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the “**Document**”) in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Directors’ responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 of Section B to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant’s responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants’ Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

APPENDIX I

ACCOUNTANT’S REPORT

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant’s judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity’s preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 of Section B to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant’s report, a true and fair view of the Company’s and the Group’s financial position as at 31 December 2019, 2020 and 2021, and of the Group’s financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 of Section B to the Historical Financial Information.

Report on matters under the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to Note 18 of Section B to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

RSM Hong Kong

Certified Public Accountants

Hong Kong

A. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant’s report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by RSM Hong Kong in accordance with Hong Kong Standards on Auditing issued by the HKICPA (“**Underlying Financial Statements**”).

The Historical Financial Information is presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

APPENDIX I

ACCOUNTANT’S REPORT

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	<i>Note</i>	Year ended 31 December		
		2019	2020	2021
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Revenue	8	1,733,832	2,825,419	6,817,115
Cost of sales		<u>(1,650,574)</u>	<u>(2,440,745)</u>	<u>(6,438,837)</u>
Gross profit		83,258	384,674	378,278
Investment and other income	9	18,662	31,644	176,247
Government grants and subsidies	10	308,595	134,861	364,509
Other gains and (losses), net	11	(142,008)	61,906	78,999
Selling expenses		(52,523)	(82,332)	(160,311)
Administrative expenses		(177,638)	(243,107)	(412,062)
Research and development expenses		(135,892)	(201,989)	(285,256)
Impairment losses on trade and bills receivables		(35,418)	(23,351)	(26,600)
Impairment losses on prepayments, deposits and other receivables		<u>(1,659)</u>	<u>(1,281)</u>	<u>(682)</u>
(Loss)/profit from operations		(134,623)	61,025	113,122
Finance costs	13	(41,175)	(57,365)	(24,975)
Share of (losses)/profits of associates	25	(8,715)	637	(24,714)
Share of loss of a joint venture	26	<u>–</u>	<u>–</u>	<u>–</u>
(Loss)/profit before tax		(184,513)	4,297	63,433
Income tax credit/(expense)	14	<u>28,112</u>	<u>(22,625)</u>	<u>48,107</u>
(Loss)/profit for the year	15	<u><u>(156,401)</u></u>	<u><u>(18,328)</u></u>	<u><u>111,540</u></u>
Attributable to:				
Owners of the Company		(118,690)	5,157	140,029
Non-controlling interests		<u>(37,711)</u>	<u>(23,485)</u>	<u>(28,489)</u>
		<u><u>(156,401)</u></u>	<u><u>(18,328)</u></u>	<u><u>111,540</u></u>
(Loss)/earnings per share (expressed in RMB per share)	19			
Basic		<u><u>(0.2540)</u></u>	<u><u>0.0077</u></u>	<u><u>0.1128</u></u>
Diluted		<u><u>(0.2540)</u></u>	<u><u>0.0077</u></u>	<u><u>0.1128</u></u>

APPENDIX I

ACCOUNTANT’S REPORT

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 December		
	2019	2020	2021
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
(Loss)/profit for the year	<u>(156,401)</u>	<u>(18,328)</u>	<u>111,540</u>
Other comprehensive income/(expense):			
<i>Item that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations	–	–	(13)
Share of other comprehensive income/(expense) of associates	<u>119</u>	<u>(637)</u>	<u>(165)</u>
Other comprehensive income/(expense) for the year, net of tax	<u>119</u>	<u>(637)</u>	<u>(178)</u>
Total comprehensive (expense)/income for the year	<u><u>(156,282)</u></u>	<u><u>(18,965)</u></u>	<u><u>111,362</u></u>
Attributable to:			
Owners of the Company	(118,603)	4,690	139,893
Non-controlling interests	<u>(37,679)</u>	<u>(23,655)</u>	<u>(28,531)</u>
	<u><u>(156,282)</u></u>	<u><u>(18,965)</u></u>	<u><u>111,362</u></u>

APPENDIX I

ACCOUNTANT’S REPORT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<i>Note</i>	As at 31 December		
		2019	2020	2021
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Non-current assets				
Property, plant and equipment	20	4,845,676	8,566,468	15,251,502
Right-of-use assets	21	499,233	546,008	643,374
Goodwill	22	140,097	140,097	–
Intangible assets	23	552,215	776,842	1,075,007
Investments in associates	25	61,917	67,884	1,104,966
Investments in joint ventures	26	–	–	–
Deposits paid for acquisition of property, plant and equipment	29	252,455	484,181	1,675,984
Deferred tax assets	41	174,820	147,623	362,537
		<u>6,526,413</u>	<u>10,729,103</u>	<u>20,113,370</u>
Current assets				
Inventories	27	1,309,227	760,326	1,756,784
Trade and bills receivables	28	1,141,881	1,246,319	2,714,704
Prepayments, deposits and other receivables	29	534,080	628,621	1,645,749
Amounts due from related parties	30	6,717	5,769	1,924,932
Other financial assets	31	89,726	2,603,689	6,182,575
Current tax assets		402	302	–
Pledged bank deposits	32(a)	1,078,744	632,233	1,251,564
Restricted bank balances	32(b)	1,422	252	252
Bank and cash balances	32(c)	445,229	1,693,284	3,109,518
		<u>4,607,428</u>	<u>7,570,795</u>	<u>18,586,078</u>
Current liabilities				
Trade and bills payables	33	2,036,979	2,656,718	6,316,866
Accruals and other payables	34	645,430	1,510,634	2,118,779
Contract liabilities	35	26,585	32,014	106,918
Amounts due to related parties	30	50,780	29,258	22,864
Lease liabilities	37	22,230	5,346	11,042
Bank borrowings	38	626,810	687,459	3,647
Other loans	39	175,711	60,564	–
Provisions	40	48,675	84,827	136,396
Financial guarantees	42	–	–	12,354
Put option liabilities	43	–	–	941,132
Current tax liabilities		–	–	220,352
		<u>3,633,200</u>	<u>5,066,820</u>	<u>9,890,350</u>
Net current assets		<u>974,228</u>	<u>2,503,975</u>	<u>8,695,728</u>
Total assets less current liabilities		<u>7,500,641</u>	<u>13,233,078</u>	<u>28,809,098</u>

APPENDIX I

ACCOUNTANT’S REPORT

	<i>Note</i>	As at 31 December		
		2019	2020	2021
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Non-current liabilities				
Amounts due to related parties	30	650,260	–	–
Deferred income	36	249,656	217,774	914,108
Lease liabilities	37	69,511	5,612	15,709
Bank borrowings	38	249,019	140,000	2,887,000
Other loans	39	163,735	212,982	–
Deferred tax liabilities	41	52,661	48,089	6,157
		<u>1,434,842</u>	<u>624,457</u>	<u>3,822,974</u>
NET ASSETS		<u><u>6,065,799</u></u>	<u><u>12,608,621</u></u>	<u><u>24,986,124</u></u>
Capital and reserves				
Equity attributable to owners of the Company				
Share capital/Paid-in capital	45	6,396,732	12,768,773	1,506,457
Reserves	46	(797,165)	(602,729)	22,655,437
		<u>5,599,567</u>	<u>12,166,044</u>	<u>24,161,894</u>
Non-controlling interests		<u>466,232</u>	<u>442,577</u>	<u>824,230</u>
TOTAL EQUITY		<u><u>6,065,799</u></u>	<u><u>12,608,621</u></u>	<u><u>24,986,124</u></u>

APPENDIX I

ACCOUNTANT’S REPORT

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	<i>Note</i>	As at 31 December		
		2019	2020	2021
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Non-current assets				
Property, plant and equipment	20	2,755,140	4,757,886	43,729
Right-of-use assets	21	75,153	202,442	19,587
Intangible assets	23	269,291	234,175	338,120
Investments in subsidiaries	(a)	1,815,711	3,659,704	12,167,408
Investments in an associate		–	–	990,090
Deposits paid for acquisition of property, plant and equipment	29	185,828	145,324	182,107
Deferred tax assets	41	89,701	77,510	66,053
		<u>5,190,824</u>	<u>9,077,041</u>	<u>13,807,094</u>
Current assets				
Inventories	27	538,872	280,247	–
Trade and bills receivables	28	1,117,032	1,030,414	6,289,155
Prepayments, deposits and other receivables	29	371,031	374,067	325,908
Amounts due from related parties	30	252,291	441,296	4,623,097
Other financial assets	31	–	2,603,689	6,182,575
Pledged bank deposits	32	865,301	455,148	513,403
Restricted bank balances	32	1,422	252	252
Bank and cash balances	32	150,770	867,417	1,666,586
		<u>3,296,719</u>	<u>6,052,530</u>	<u>19,600,976</u>
Current liabilities				
Trade and bills payables	33	1,401,481	2,025,980	6,545,048
Accruals and other payables	34	401,798	640,326	95,504
Contract liabilities	35	65	8	106,031
Amounts due to related parties	30	300,697	329	191,501
Lease liabilities	37	–	–	554
Bank borrowings	38	–	–	1,291
Provisions	40	23,024	38,840	80,767
Financial guarantees	42	22,728	55,383	78,956
Put option liabilities	43	–	–	941,132
		<u>2,149,793</u>	<u>2,760,866</u>	<u>8,040,784</u>
Net current assets		<u>1,146,926</u>	<u>3,291,664</u>	<u>11,560,192</u>
Total assets less current liabilities		<u>6,337,750</u>	<u>12,368,705</u>	<u>25,367,286</u>

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ACCOUNTANT’S REPORT

	<i>Note</i>	As at 31 December		
		2019	2020	2021
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Non-current liabilities				
Amounts due to related parties	30	650,260	–	–
Deferred income	36	7,281	8,290	9,958
Lease liabilities	37	–	–	1,264
Bank borrowing	38	–	–	1,087,000
Deferred tax liabilities	41	–	363	2,056
		<u>657,541</u>	<u>8,653</u>	<u>1,100,278</u>
NET ASSETS		<u>5,680,209</u>	<u>12,360,052</u>	<u>24,267,008</u>
Capital and reserves				
Share capital/Paid-in capital	45	6,396,732	12,768,773	1,506,457
Reserves	46(c)	<u>(716,523)</u>	<u>(408,721)</u>	<u>22,760,551</u>
TOTAL EQUITY		<u>5,680,209</u>	<u>12,360,052</u>	<u>24,267,008</u>

Note:

- (a) Investments in subsidiaries represent the investment cost of direct subsidiaries of the Company as set out in note 2.

APPENDIX I

ACCOUNTANT’S REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company										
	Share capital/ Paid-in capital (Note 45) RMB'000	Capital reserve (Note 46(b)(i)) RMB'000	Merger reserve (Note 46(b)(ii)) RMB'000	Safety production fund (Note 46(b)(iii)) RMB'000	Contribution from shareholder (Note 46(b)(iv)) RMB'000	Exchange reserve (Note 46(b)(v)) RMB'000	Other reserve (Note 46(b)(vi)) RMB'000	Put option reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non- controlling interests RMB'000
At 1 January 2019	4,000,000	-	35,750	-	-	-	-	(664,560)	3,371,190	16,379	3,387,569
Total comprehensive expense for the year	-	-	-	-	-	-	87	(118,690)	(118,603)	(37,679)	(156,282)
Proceeds from paid-in capital (note 45 (ii))	1,909,427	573	-	-	-	-	-	-	1,910,000	-	1,910,000
Acquisition of a subsidiary (note 47(a))	417,575	125	-	-	-	-	-	-	417,700	498,187	915,887
Issue registered capital to acquire a subsidiary under common control	27,684	8	(27,692)	-	-	-	-	-	-	-	-
Issue registered capital to acquire non-controlling interests of a subsidiary	42,046	(31,391)	-	-	-	-	-	-	10,655	(10,655)	-
Share-based payments (note 44)	-	-	-	-	8,625	-	-	-	8,625	-	8,625
Safety production fund	-	-	-	-	-	-	-	-	-	-	-
Changes in equity for the year	2,396,732	(30,685)	(27,692)	-	8,625	-	87	(118,690)	2,228,377	449,853	2,678,230
At 31 December 2019	6,396,732	(30,685)	8,058	-	8,625	-	87	(783,250)	5,599,567	466,232	6,065,799

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ACCOUNTANT’S REPORT

Attributable to owners of the Company												
	Share capital/ Paid-in capital (Note 45) RMB'000	Capital reserve (Note 46(b)(i)) RMB'000	Merger reserve (Note 46(b)(ii)) RMB'000	Safety production fund (Note 46(b)(iii)) RMB'000	Contribution from shareholder (Note 46(b)(iv)) RMB'000	Exchange reserve (Note 46(b)(v)) RMB'000	Other reserve (Note 46(b)(vi)) RMB'000	Put option reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
At 1 January 2020	6,396,732	(30,685)	8,058	-	8,625	-	87	-	(783,250)	5,599,567	466,232	6,065,799
Total comprehensive expense for the year	-	-	-	-	-	-	(467)	-	5,157	4,690	(23,655)	(18,965)
Proceeds from paid-in capital (note 45 (iii) & (iv))	6,372,041	169,306	-	-	-	-	-	-	-	6,541,347	-	6,541,347
Share-based payments (note 44)	-	-	-	-	20,440	-	-	-	-	20,440	-	20,440
Safety production fund	-	-	-	946	-	-	-	-	(946)	-	-	-
Changes in equity for the year	6,372,041	169,306	-	946	20,440	-	(467)	-	4,211	6,566,477	(23,655)	6,542,822
At 31 December 2020	12,768,773	138,621	8,058	946	29,065	-	(380)	-	(779,039)	12,166,044	442,577	12,608,621

APPENDIX I

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Attributable to owners of the Company												
	Share capital/ Paid-in capital (Note 45) RMB'000	Capital reserve (Note 46(b)(i)) RMB'000	Merger reserve (Note 46(b)(ii)) RMB'000	Safety production fund (Note 46(b)(iii)) RMB'000	Contribution from shareholder (Note 46(b)(iv)) RMB'000	Exchange reserve (Note 46(b)(v)) RMB'000	Other reserve (Note 46(b)(vi)) RMB'000	Put option reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
At 1 January 2021	12,768,773	138,621	8,058	946	29,065	-	(380)	-	(779,039)	12,166,044	442,577	12,608,621
Total comprehensive income for the year	-	-	-	-	-	(13)	(123)	-	140,029	139,893	(28,531)	111,362
Acquisition of additional interests in a subsidiary	-	(5,738)	-	-	-	-	-	-	-	(5,738)	(16,780)	(22,518)
Converted into a joint stock company with limited liability (note 45 (v))	(11,568,773)	11,188,346	-	(7)	-	-	-	-	380,434	-	-	-
Proceeds from paid-in capital (note 45 (vi))	288,000	11,702,000	-	-	-	-	-	-	-	11,990,000	-	11,990,000
Increase shareholding of an associate	18,457	750,567	-	-	-	-	-	-	-	769,024	-	769,024
Capital contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	828,000	828,000
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	(401,036)	(401,036)
Put option liabilities (note 43)	-	-	-	-	-	-	-	(926,620)	-	(926,620)	-	(926,620)
Share-based payments (note 44)	-	-	-	-	29,284	-	-	-	-	29,284	-	29,284
Safety production fund	-	-	-	(920)	-	-	-	-	927	7	-	7
Changes in equity for the year	(11,262,316)	23,635,175	-	(927)	29,284	(13)	(123)	(926,620)	521,390	11,995,850	381,653	12,377,503
At 31 December 2021	1,506,457	23,773,796	8,058	19	58,349	(13)	(503)	(926,620)	(257,649)	24,161,894	824,230	24,986,124

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CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December		
	<i>Note</i>	2019	2020	2021
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES				
(Loss)/profit before tax		(184,513)	4,297	63,433
Adjustments for:				
Depreciation of property, plant and equipment	20	203,124	214,576	453,486
Depreciation of right-of-use assets	21	17,163	29,583	20,708
Amortisation of intangible assets	23	56,727	72,308	83,431
Equity-settled share-based payments		8,625	20,440	29,284
Share of profits of associates		8,715	(637)	24,714
Government grants and subsidies		(25,146)	(38,806)	(33,124)
Impairment losses on property, plant and equipment	11	18,660	–	–
Impairment losses on intangible assets	11	–	–	15
Gain on disposal of subsidiaries	11	–	–	(347,240)
Impairment losses on investments in associates	11	–	–	178,700
Allowance/(reversal of allowance) for inventories	11	120,920	(49,999)	90,088
Impairment losses (reversal of impairment losses) on trade and bills receivables, net		35,418	23,351	26,600
Impairment losses on other receivables, net		1,659	1,281	682
Net loss/(gain) on disposals of property, plant and equipment	11	1,902	(7,417)	25
Fair value change in financial assets at FVTPL	11	(726)	(2,419)	(13,705)
Fair value change in financial guarantees	11	–	–	(1,755)
Fair value change in put option liabilities	11	–	–	14,512
Net gain on early termination of leases	11	–	(2,322)	–
Interest income	9	(17,917)	(27,709)	(172,266)
Finance costs	13	41,175	57,365	24,975
Operating profit before working capital changes		285,786	293,892	442,563
(Increase)/decrease in inventories		(666,624)	598,900	(1,963,637)
(Increase)/decrease in trade and bills receivables		(13,113)	110,918	(2,088,450)
Increase in prepayments, deposits and other receivables		(184,671)	(97,018)	(1,150,132)
Increase in amount due from a former shareholder		(218,344)	–	–
Decrease/(increase) in amount due from an associate		1,636	2,235	612,871
Increase in amount due to a joint venture		4,819	–	–
Increase/(decrease) in amounts due to subsidiaries of shareholders		173	–	3,942
Increase/(decrease) in amount due to a shareholder		–	24,385	(24,398)
Increase in amount due to an associate		–	–	(74,796)
Increase/(decrease) in trade and bills payables		608,894	228,880	4,499,822
(Decrease)/increase in accruals and other payables		(342,218)	740,908	1,125,625
Increase in provisions		26,291	36,152	111,337
(Decrease)/increase in contract liabilities		(14,227)	5,429	90,975
Cash (used in)/generated from operations		(511,598)	1,944,681	1,585,722
Interest expenses on lease liabilities		(2,167)	(2,552)	(21)
Income tax refund		–	100	302
Net cash (used in)/generated from operating activities		(513,765)	1,942,229	1,586,003

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	Note	Year ended 31 December		
		2019 RMB'000	2020 RMB'000	2021 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received		17,917	27,709	172,266
Acquisition of a subsidiary	47(a)	151,223	–	–
Disposal of subsidiaries	47(b)	–	–	(24,355)
Deposits paid for acquisition of property, plant and equipment		(138,433)	(231,726)	(1,269,718)
Payment of property, plant and equipment		(1,088,572)	(2,603,866)	(8,853,004)
Proceeds from disposals of property, plant and equipment		8,936	25,969	110,262
Received government grants in relation to assets	36	10,559	6,924	9,568
Payment of right-of-use assets		(156,715)	(129,259)	(267,869)
Addition of intangible assets		(97,453)	(296,935)	(527,597)
Dividend received from an associate		–	1,431	–
Refund of capital contribution of an associate		–	2,263	–
Purchase of other financial assets		(310,000)	(2,863,000)	(17,485,000)
Proceeds from disposal of other financial assets		221,000	352,000	13,930,000
Increase in amount due from a joint venture		–	(3,521)	351
(Decrease)/increase in amounts due from a subsidiary of a shareholder		(3,022)	803	1,838
(Increase)/decrease in pledged bank deposits		(492,723)	446,511	(786,569)
Capital contribution to associate		–	–	(17,400)
Decrease in restricted bank balances		626,320	1,170	–
Net cash used in investing activities		(1,250,963)	(5,263,527)	(15,007,227)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net proceeds from/(payment of) bank borrowings		241,895	(48,370)	2,371,586
Net proceeds from/(payment of) other loans		196,906	(65,900)	(241,546)
Acquisition of non-controlling interests		–	–	(22,518)
Repayment of loan from a shareholder		–	(260)	–
Repayment of loan from a subsidiary of a shareholder		(256,063)	(45,907)	–
Principal elements of lease payments		(9,405)	(25,560)	(222)
Capital contribution from non-controlling interests		–	–	828,000
Proceeds from issuance of registered capital		1,910,000	4,810,800	11,990,000
Interest paid		(39,008)	(54,813)	(87,836)
Net cash generated from financing activities		2,044,325	4,569,990	14,837,464
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		279,597	1,248,692	1,416,240
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		165,703	445,229	1,693,284
Effect of foreign exchange rate changes		(71)	(637)	(6)
CASH AND CASH EQUIVALENTS AT END OF YEAR		445,229	1,693,284	3,109,518
ANALYSIS OF CASH AND CASH EQUIVALENTS				
Bank and cash balance	32	445,229	1,693,284	3,109,518

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B. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

CALB Co., Ltd. (中創新航科技股份有限公司) (formerly known as CALB (Jiangsu) Co., Ltd.* (中航鋰電(江蘇)有限公司), CALB Technology Co., Ltd.* (中航鋰電科技有限公司) and CALB Technology Holding Co., Ltd.* (中航鋰電科技股份有限公司)) was established as a limited liability company in the People’s Republic of China (the “PRC”) on 8 December 2015. The registered office and the address of its principal place of business is No. 1 Jiangdong Avenue, Jintan District, Changzhou City, Jiangsu Province, PRC.

The Company has been engaging in the design, research and development, production and sales of EV batteries and ESS products. The principal activities of its subsidiaries are set out in Note 2.

Upon the Company’s establishment, it was owned as to 50% by Changzhou Jinsha Technology Investment Company Limited* (常州金沙科技投資有限公司) (“**Jinsha Investment**”), which is a company ultimately controlled by the People’s Government of Jintan District, Changzhou City (“**Government of Jintan District**”), 30% by China Lithium Battery Technology (Luoyang) Co., Ltd.* (中航鋰電(洛陽)有限公司) (“**Luoyang Company**”) and 20% by Changzhou Huake Technology Investment Company Limited* (常州華科科技投資有限公司) (“**Huake Investment**”), which is a company ultimately controlled by the Government of Jintan District. Pursuant to provisions of the Articles of Association of the Company dated 8 December 2015, Luoyang Company as a shareholder shall be entitled to at least 51% of the voting rights in the Company although Luoyang Company only subscribed for 30% of the registered capital of the Company. Luoyang Company was ultimately controlled by Aviation Industry Corporation of China, Ltd.* (中國航空工業集團有限公司) (“**AVIC**”) since its date of establishment and up to 30 June 2019. In the opinion of the Directors of the Company, upon completion of Luoyang Acquisition (as defined and described in Note 2 below) on 1 July 2019, the Company became ultimately controlled by the Jintan Group.

During October to November 2021, the Company was converted into a joint stock limited company and the name of the Company was changed to CALB Co., Ltd. (中創新航科技股份有限公司).

* *The English translation name is for identification purpose only. The official name of the entity is in Chinese.*

2. CORPORATE STRUCTURE AND BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

On 22 April 2019, Sichuan Chengfei Integration Technology Co., Ltd* (四川成飛集成科技股份有限公司) (“**Chengfei Integration**”) agreed to transfer 45% equity interests in Luoyang Company to the Company at a consideration of RMB1,094.28 million. On the same day, Chengfei Integration and Jinsha Investment agreed to subscribe for certain amount of the increased registered capital of the Company valued at approximately RMB417.7 million by transferring 18.98% and 9.38% of their respective equity interests in Luoyang Company as consideration to the Company. Upon completion of the aforesaid equity transfer and capital increases on 1 July 2019, Luoyang Company ceased to a shareholder of the Company and became a non-wholly owned subsidiary of the Company (“**Luoyang Acquisition**”). The Group’s ownership of Luoyang Company was 73.36%. The Company was identified as the acquirer and the acquisition of Luoyang Company was accounted for under IFRS 3 – Business Combinations.

In December 2020, the Company signed agreement to further acquire equity interest of Luoyang Company from a non-controlling shareholder with a cash consideration of RMB22,518,000. Upon completion, the Group’s ownership of Luoyang Company was increased to 74.37%.

On 1 July 2019, the Company acquired 65% equity interests of CALB Technology Co., Ltd.* (中創新航技術研究院(江蘇)有限公司) (“**Jiangsu Research Institute**”) from Changzhou Huake Technology Investment Co., Ltd.* (常州華科科技投資有限公司) (“**Huake Investment**”) (“**Jiangsu Research Institute Merger**”) and 35% equity interest of Jiangsu Research Institute from Chengfei Integration (“**Jiangsu Research Institute Acquisition**”) by issuing registered capital of approximately RMB69.7 million of the Company. Jiangsu Research Institute was ultimately controlled by the Government of Jintan District since its incorporation. The Group and Jiangsu Research Institute were under common control of the Government of Jintan District before and after the Jiangsu Research Institute Merger, therefore it was accounted for as business combination under common control by applying the principles of merger accounting.

Prior to the Jiangsu Research Institute Acquisition, equity interests attributable to Chengfei Integration were treated as non-controlling interests. Non-controlling interests were acquired and derecognised following the Jiangsu Research Institute Acquisition.

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During the Track Record Period and as at the date of this report, the Company had direct and indirect interests in its subsidiaries, the particulars of which are set out below:

Name	Note	Place and date of establishments	Registered capital (paid up amount)	Percentage of equity attributable to the Company						Principal activities
				At 31 December						
				2019		2020		2021		
Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect			
中航鋰電(廈門)科技 有限公司 CALB (Xiamen) Co., Ltd.* (“Xiamen Company”)	(a)	PRC 15 July 2019	2019: RMB2,500 million (RMB250 million) 2020: RMB2,500 million (RMB2,000 million) 2021: RMB5,000 million (RMB4,000 million)	100%	N/A	100%	N/A	100%	N/A	Research and development, production and sales of EV battery and ESS products
中創新航技術研究院 (江蘇)有限公司 CALB Technology Co., Ltd.* (“Jiangsu Research Institute”)	(a)	PRC 8 November 2016	2019: RMB107 million (RMB55 million) 2020: RMB107 million (RMB107 million) 2021: RMB1,000 million (RMB1,000 million)	100%	N/A	100%	N/A	100%	N/A	Research and development of EV battery and ESS products
中航鋰電(洛陽)有限 公司 China Lithium Battery Technology (Luoyang) Co., Ltd.* (“Luoyang Company”)	(a)	PRC 14 September 2009	2019: RMB990.867 million (RMB990.867 million) 2020: RMB990.867 million (RMB990.867 million) 2021: RMB990.867 million (RMB990.867 million)	73.36%	N/A	73.36%	N/A	49%	N/A	Design, research and development, production and sales of EV battery for civil and military industrial use and ESS products
中航鋰電(北京)有限 公司 China Lithium Battery Technology (Beijing) Co., Ltd.* (“CALB (Beijing)”)	(a)	PRC 4 September 2013	2019: RMB40 million (RMB40 million) 2020: RMB40 million (RMB40 million) 2021: RMB40 million (RMB40 million)	N/A	73.36%	N/A	73.36%	N/A	49%	Sales of EV battery
凱博能源先進技術研 究院(深圳)有限責 任公司 CALB Technology (Shenzhen) Co., Ltd.* (“Shenzhen Research Institute”)	(b)	PRC 28 May 2021	2019: N/A N/A 2020: N/A N/A 2021: RMB100 million (RMB100 million)	N/A	N/A	N/A	N/A	100%	N/A	Research and development of EV battery and ESS products
凱博能源科技(成都) 有限公司 CALB (Chengdu) Co., Ltd.* (“Chengdu Company”)	(b)	PRC 29 May 2021	2019: N/A N/A 2020: N/A N/A 2021: RMB2,000 million (RMB631.500 million)	N/A	N/A	N/A	N/A	51%	N/A	Research and development, production and sales of EV battery and ESS products

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Name	Note	Place and date of establishments	Registered capital (paid up amount)		Percentage of equity attributable to the Company						Principal activities
					At 31 December						
					2019		2020		2021		
Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect				
中創新航科技(江蘇)有限公司 CALB (Jiangsu) Co., Ltd.* (“ Jiangsu Company ”)	(b)	PRC 23 June 2021	2019: N/A 2020: N/A 2021: RMB6,000 million	N/A N/A (RMB6,000 million)	N/A	N/A	N/A	N/A	100%	N/A	Research and development, production and sales of EV battery and ESS products
凱博能源科技(武漢)有限公司 CALB (Wuhan) Co., Ltd.* (“ Wuhan Company ”)	(b)	PRC 15 July 2021	2019: N/A 2020: N/A 2021: RMB2,500 million	N/A N/A (RMB900 million)	N/A	N/A	N/A	N/A	51%	N/A	Research and development, production and sales of EV battery and ESS products
凱博能源科技(合肥)有限公司 CALB (Hefei) Co., Ltd.* (“ Hefei Company ”)	(b)	PRC 25 September 2021	2019: N/A 2020: N/A 2021: RMB2,500 million	N/A N/A (RMB300 million)	N/A	N/A	N/A	N/A	20%	N/A	Research and development, production and sales of EV battery and ESS products
CALB GmbH	(b)	Germany 30 April 2021	2019: N/A 2020: N/A 2021: EUR25,000	N/A N/A (EUR25,000)	N/A	N/A	N/A	N/A	100%	N/A	Research and development, production and sales of EV battery and ESS products

Notes:

- (a) The statutory financial statements for the year ended 31 December 2019 prepared under China Accounting Standards for Business Enterprises (“PRC GAAP”) were audited by PricewaterhouseCoopers, certified public accountants* (普華永道中天會計師事務所) registered in the PRC. The statutory financial statements for year ended 31 December 2020 prepared under PRC GAAP were audited by RSM China, certified public accountants (容誠會計師事務所) in the PRC.
- (b) No audited statutory financial statements were prepared since it is newly incorporated during the year ended 31 December 2021.
- (c) All companies comprising the Group have adopted 31 December as their financial year end date.

* The English translation name is for identification purpose only. The official name of the entity is in Chinese.

The Historical Financial Information has been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (the “IASB”). IFRSs comprise International Financial Reporting Standards (“IFRS”); International Accounting Standards (“IAS”); and Interpretations. The Historical Financial Information also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and by the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

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3. ADOPTION OF NEW AND REVISED IFRSs

(a) Application of new and revised IFRSs

During the Track Record Period, the Group has consistently adopted all applicable new and revised IFRSs including *IFRS 16 Leases*, on or after 1 January 2019. The accounting policies have been applied consistently to all periods presented in the Historical Financial Information.

The Group has also applied the Amendments to References to the Conceptual Framework in IFRS Standards and the following amendments to IFRSs issued by the IASB for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 and 1 January 2021 for the preparation of the Historical Financial Information:

Annual period beginning on or after 1 January 2020

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

Annual period beginning on or after 1 January 2021

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2
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In addition, the Group has early applied the Amendments to IFRS 16, COVID-19 Related Rent Concessions beyond 30 June 2021 and Amendments to IAS 16, Property, Plant and Equipment: Proceeds before Intended Use.

Except as described below, the application of the Amendments to References to the Conceptual Framework in IFRS Standards and the amendments to IFRSs had no material impact on the Group’s financial positions and performance for the Track Record Period and/or on the disclosures set out in the Historical Financial Information.

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments had no impact on the Historical Financial Information.

Amendments to IFRS 3 Definition of a Business

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional “concentration test” that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The Group has applied the amendments prospectively to transactions for which the acquisition date is on or after 1 January 2020. The application of the amendments had no impact on the Historical Financial Information as similar conclusion would have been reached without applying the optional concentration test.

Amendment to IFRS 16, COVID-19-Related Rent Concessions beyond 30 June 2021

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic (“**COVID-19 Related Rent Concessions**”) are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

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The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19 Related Rent Concessions granted to the Group during the year ended 31 December 2020. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1 January 2020.

Amendments to IAS 16: Property, Plant and Equipment: Proceeds before Intended Use

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment (“PPE”) the proceeds from selling items produced before that asset is available for use. Instead, the related sales proceeds together with the costs of providing these items as determined by IAS 2, are to be included in profit and loss.

An entity shall apply the amendments retrospectively, but only to items of PPE made available for use on or after the beginning of the earliest period presented in the Historical Financial Information in which the entity first applies the amendments.

The Group has elected to early adopt the amendment as from 1 January 2019. Consequently, the cumulative effect of initial application should be recognised as an adjustment to the opening balance of equity at 1 January 2019. There is no impact on the opening balance of equity at 1 January 2019.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, and the related interpretations, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC 15 Operating Leases-Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 introduced a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less and leases of low-value assets.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact on leases where the Group is the lessor. The lessor accounting requirements are brought forward from IAS 17 substantially unchanged.

IFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied IFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under IFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

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(b) Lessee accounting and transitional impact

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets which are exempt.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied the incremental borrowing rates of the relevant group entities at the date of initial application.

To ease the transition to IFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of IFRS 16:

- (i) elected not to apply the requirements of IFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of IFRS 16, i.e. where the lease term ends on or before 31 December 2019;
- (ii) applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in a similar economic environment;
- (iii) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group’s leases with extension options;
- (iv) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
- (v) relied on the assessment of whether leases are onerous by applying IAS 37 as an alternative to an impairment review.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of consolidated financial position at 31 December 2018.

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

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The following table summaries the impacts of the adoption of IFRS 16 on the Group’s consolidated statement of financial position:

Line items in the consolidated statement of financial position impacted by the adoption of IFRS 16	Effects of adoption of IFRS 16		
	Carrying amount as at 31 December 2018	Re-classification	Carrying amount as at 1 January 2019
	RMB’000	RMB’000	RMB’000
Assets			
Right-of-use assets	–	76,781	76,781
Prepaid land lease	76,781	(76,781)	–
Liabilities			
Lease liabilities	–	–	–

(c) Impact of the financial results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a negative impact on the reported loss from operations in the Group’s consolidated statement of profit or loss, as compared to the results if IAS 17 had been applied during the year.

In the consolidated statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their principal element and interest element (note 47(d)). These elements are classified as financing cash outflows and operating cash outflows respectively. Although total cash flows are unaffected, the adoption of IFRS 16 therefore results in a significant change in presentation of cash flows within the consolidated statement of cash flows (note 47(e)).

The following tables give an indication of the estimated impact of the adoption of IFRS 16 on the Group’s financial results and cash flows for the year ended 31 December 2019, by adjusting the amounts reported under IFRS 16 in the Historical Financial Information to compute estimates of the hypothetical amounts that would have been recognised under IAS 17 if this superseded standard had continued to apply in 2019 instead of IFRS 16.

	2019			
	Amounts reported under IFRS 16 RMB’000	Add back: IFRS 16 depreciation and interest expense RMB’000	Deduct: Estimated amounts related to operating lease as if under IAS 17 (note 1) RMB’000	Hypothetical amounts for 2019 as if under IAS 17 RMB’000
Financial results for year ended 31 December 2019 impacted by the adoption of IFRS 16:				
Loss from operation	(134,623)	9,530	(12,758)	(137,851)
Finance costs	(41,175)	2,167	–	(39,008)
Loss before tax	(184,513)	11,697	(12,758)	(176,859)
Loss for the year	(156,401)	11,697	(12,758)	(148,747)

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	Amounts reported under IFRS 16 RMB'000	2019 Estimated amounts related to operating leases as if under IAS 17 (note 1) RMB'000	Hypothetical amounts for 2019 as if under IAS 17 RMB'000
Line items in the consolidated statement of cash flows for year ended 31 December 2019 impacted by the adoption of IFRS 16:			
Cash used in operations	(519,042)	(11,572)	(530,614)
Interest element of lease rentals paid	(2,167)	2,167	–
Net cash used in operating activities	(521,209)	(9,405)	(530,614)
Capital element of lease rentals paid	(9,405)	9,405	–
Net cash generated from financing activities	2,044,325	9,405	2,053,730

Note 1: The “estimated amounts related to operating leases” is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if IAS 17 had still applied in 2019. This estimate assumes that there were no difference between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under IAS 17, if IAS 17 had still applied in 2019. Any potential net tax effect is ignored.

(b) New and revised IFRSs but not yet effective

Other than the amendments to IFRS 16, COVID-19 Related Rent Concessions beyond 30 June 2021 and IAS 16, Property, Plant and Equipment: Proceeds before Intended Use, the Group has not early applied new and revised IFRSs that have been issued but are not yet effective for the Track Record Period. These new and revised IFRSs include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
Amendments to IFRS 3 Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 37 Onerous contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to IFRSs 2018-2020 Cycle	1 January 2022
Amendments to IAS 1 Classification of Liabilities as Current or Non-Current	1 January 2023
Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements – Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12 Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has not identified any aspect of the new and revised standards which may have a significant impact on the Historical Financial Information.

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4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. financial instruments that are measured at fair value).

The preparation of Historical Financial Information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in note 5.

The significant accounting policies applied in the preparation of the Historical Financial Information are set out below.

(a) Consolidation

The Historical Financial Information includes the financial statements of the Company and its subsidiaries for the Track Record Period. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of subsidiaries that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in those subsidiaries and (ii) the Company's share of the net assets of those subsidiaries plus any remaining goodwill and any accumulated exchange reserve relating to that subsidiary.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amounts by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment loss, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

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(b) Merger accounting for business combination under common control

The Historical Financial Information incorporates the financial statements items of the combining businesses in which the common control combination occurs as if the current group structure had always been in existence.

The consolidated financial statements incorporate the financial statements of the combining entities as if they had been combined from the date when they first came under the control of the controlling party.

The consolidated statements of profit or loss and the other comprehensive income include the results of each of the combining businesses from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

[The consolidated statements of financial position have been prepared to present the assets and liabilities of the combining entities as if the Group structure as at 31 December 2021 had been in existence at the end of each reporting period. The net assets of the combining entities are combined using the existing book values from the controlling party’s perspective. No amount is recognised in respect of goodwill or gain on bargain purchase at the time of common control combination, to the extent of the continuation of the controlling party’s interest.]

(c) Business combination (other than under common control) and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The consideration transferred in a business combination is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and any contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the sum of the consideration transferred over the Group’s share of the net fair value of the subsidiary’s identifiable assets and liabilities is recorded as goodwill. Any excess of the Group’s share of the net fair value of the identifiable assets and liabilities over the sum of the consideration transferred is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Group.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the sum of the consideration transferred in a business combination to calculate the goodwill.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders’ proportionate share of the net fair value of the subsidiary’s identifiable assets and liabilities at the acquisition date.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units (“CGUs”) or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to its recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(d) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder’s intention and financial ability to exercise or convert that right is not considered.

Investments in associates are accounted for in the Historical Financial Information by the equity method and are initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of the investment over the Group’s share of the net fair value of the associate’s identifiable assets and liabilities is recorded as goodwill which is included in the carrying amount of the investment. Any excess of the Group’s share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

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The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group's share of an associate's post-acquisition profits or losses and other comprehensive income is recognised in consolidated statement of profit or loss and other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's entire carrying amount of that associate (including goodwill) and any related accumulated exchange reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(e) Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Relevant activities are activities that significantly affect the returns of the arrangement. When assessing joint control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

A joint arrangement is either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The Group has assessed the type of each of its joint arrangements and determined them to all be joint ventures.

Investment in a joint venture is accounted for in the Historical Financial Information by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the joint venture in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of the investment over the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is recorded as goodwill, which is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group assesses whether there is an objective evidence that the interest in a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group's share of a joint venture's post-acquisition profits or losses and other comprehensive income is recognised in consolidated statement of profit or loss and other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

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The gain or loss on the disposal of a joint venture that results in a loss of joint control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that joint venture and (ii) the Group’s entire carrying amount of that joint venture (including goodwill) and any related accumulated foreign currency translation reserve. If an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its joint ventures are eliminated to the extent of the Group’s interests in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

(f) Foreign currency translation

(i) *Functional and presentation currency*

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The Historical Financial Information are presented in Renminbi (“RMB”), which is the Company’s functional and presentation currency.

(ii) *Transactions and balances in each entity’s financial statements*

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) *Translation on consolidation*

The results and financial position of all the Group entities that have a functional currency different from the Company’s presentation currency are translated into the Company’s presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the exchange reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustment arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

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(g) Property, plant and equipment

Property, plant and equipment are stated in the Historical Financial Information at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings	20-35 years
Machinery	10%
Computer equipment	32%
Furniture and office equipment	19% – 32%
Leasehold improvements	Over the shorter of the term of the lease and estimated useful life of 5 years
Motor vehicles	24%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(h) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group as a lessee

Where the contract contains lease components and non-lease components, the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily laptops and office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

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The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group’s estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract (“lease modification”) that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of IFRS 16. In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of IFRS 16 and recognised the change in consideration as if it were not a lease modification.

(i) Other intangible assets

(a) *Internally-generated intangible assets – research and development expenditure*

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internal generated intangible asset is recognised only if all of the following conditions are met:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- Management intends to complete the intangible asset and use or sell it;
- There is ability to use or sell the intangible asset;
- It can be demonstrated how the intangible asset will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete development and to use or sell the intangible assets are available;
- The expenditure attributable to the intangible asset during its development can be reliably measured.

Development costs are stated at cost less any impairment losses. The development costs are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding 10 years after the products are put into commercial production.

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(b) Intangible assets acquired separately

The following intangible assets are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line method over their estimated useful lives as follows;

Computer software	Not more than 10 years
Trademark	10 years
Patent	Not more than 10 years
Others	5 years

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(k) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory, property, plant and equipment or intangible assets.

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Incremental costs of obtaining a contract are capitalised when incurred if the costs are expected to be recovered, unless the expected amortisation period is one year or less from the date of initial recognition of the asset, in which case the costs are expensed when incurred. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract. Other costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised.

(l) Contract assets and contract liabilities

Contract asset is recognised when the Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (“ECL”) in accordance with the policy set out in note 4(dd) and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

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For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

(m) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss (“FVTPL”)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(n) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Debt investments

Debt investments held by the Group are classified into one of the following measurement categories:

- Amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.
- Fair value through other comprehensive income (“FVTOCI”) – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.
- FVTPL if the investment does not meet the criteria for being measured at amortised cost or FVTOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

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Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVTOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer’s perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the financial assets at FVTOCI reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the financial assets at FVTOCI reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVTOCI, are recognised in profit or loss as other income.

(o) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within six months of maturity at acquisition. Cash and cash equivalents are assessed for ECL.

(q) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under IFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out in notes (r) to (v) below.

(r) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(s) Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the ECL model under IFRS 9 and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

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(t) Put Option Liability

An arrangement that grants the non-controlling interest shareholder an option to sell the equity shares of the Company’s subsidiary back to the Company (“the put option”) shall be accounted for as financial liability of the Company as it contains an obligation to transfer cash on purchase of the non-controlling interests’ shares. When the put option is initially issued, a liability shall be recorded for the present value of the redemption amount (which should be estimated if it is not contractually fixed), and subsequently measured at fair value based on the terms of the put option. In the event that the non-controlling interest written put option expires unexercised or cancelled, the liability is derecognised with a corresponding adjustment to equity.

(u) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(v) Equity instruments

Any equity instrument is any contract that evidence a residual interest in the assets of an equity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue cost.

(w) Revenue and other income

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Revenue from the sale of goods is recognised when control of the goods has transferred, being when the goods have shipped to the customer’s specific location (delivery). A receivable is recognised by the Group when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Revenue from the provision of services is recognised over the scheduled period on an input method because the customer simultaneously receives and consumes the benefits provided by the Group.

Revenue from other sources

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVTOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

Dividend income is recognised when the shareholders’ rights to receive payment are established.

(x) Employee benefits

(i) *Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

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(ii) Medical benefits

The Group’s contributions to various defined contribution medical benefit plans organised by the relevant municipal and provincial governments in the PRC are expensed as incurred.

(iii) Pension scheme – Mainland China

The employees of the Group’s subsidiaries, which operate in Mainland China, are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

(iv) Housing fund – Mainland China

The Group contributes on a monthly basis to a defined contribution housing fund plan operated by the local municipal government. Contributions to this plan by the Group are expensed as incurred.

(v) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

(y) Share-based payments

The Group issues equity-settled share-based payments to certain directors and employees. Equity-settled share-based payments are measured at the fair value (excluding the effect of non-market based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group’s estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

(z) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. Any specific borrowing that remain outstanding after the related asset is ready for its intend use or sales included in the general borrowing pool for calculation of capitalisation rate on general borrowing.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(aa) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

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Government grants relating to the purchase of assets are recorded as deferred income and recognised in profit or loss on a straight-line basis over the useful lives of the related assets.

Repayment of a grant related to income is applied first against any unamortised deferred income set up in respect of the grant. To the extent that the repayment exceeds any such deferred income, or where no deferred income exists, the repayment is recognised immediately in profit or loss. Repayment of a grant related to an asset is recorded by reducing the deferred income by the amount repayable. The cumulative additional depreciation that would have been recognised in profit or loss to date in the absence of the grant is recognised immediately in profit or loss.

(bb) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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(cc) Impairment of non-financial assets

The carrying amounts of other non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the CGU to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the CGU.

Value in use is the present value of the estimated future cash flows of the asset/CGU. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/CGU whose impairment is being measured.

Impairment losses on CGUs are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the CGU. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

(dd) Impairment of financial assets and contract assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost, trade receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument;

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- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor’s ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor’s ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- (i) the financial instrument has a low risk of default,
- (ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of “investment grade” in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of “performing”. Performing means that the counterparty has a strong financial position and there is no past due amounts.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contract, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

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Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the counterparty;
- a breach of contract, such as a default or past due event;
- the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over one year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

(ee) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

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(ff) Events after the reporting period

Events after the reporting period that provide additional information about the Group’s position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the Historical Financial Information. Events after the reporting period that are not adjusting events are disclosed in the notes to the Historical Financial Information when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the Historical Financial Information (apart from those involving estimations, which are dealt with below).

(a) *Distinction between investment properties and owner-occupied properties*

Some properties comprise a portion that is held to earn rentals and another portion that is [held for use in the production of goods]. If these portions can be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production of goods. Judgement is applied in determining whether ancillary services are so significant that a property does not qualify as an investment property. The Group considers each property separately in making its judgement.

(b) *Consolidation of entity with less than 50% equity interest holding*

Although the Company owns less than 50% of the equity interest in Hefei Company, Hefei Company is treated as a subsidiary because the Group is able to control the relevant activities of Hefei Company as a result of the shareholders’ agreement between the Company and the other major shareholder of Hefei Company.

(c) *Equity pick up of entity of less than 20% equity interest*

Although the Group holds less than 20% of the equity interest of Cangzhou Mingzhu Lithiumion Battery Separator Co., Ltd. (“**Cangzhou Mingzhu**”), the directors considered that the Group has significant influence over Cangzhou Mingzhu because the Group is entitled to appoint one director out of the five directors of Cangzhou Mingzhu.

(d) *Joint control assessment*

The Group holds 51% of the equity interest of its joint arrangement of CADMA Drivetrain Tec Co., Ltd. The directors have determined that the Group has joint control over the arrangement as under the contractual agreement, as it appears that unanimous consent is required from all parties to the agreement for all relevant activities.

(e) *Business model assessment*

Classification and measurement of financial assets depends on the results of the SPPI (i.e. Solely Payments of Principal and Interest) test and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortised cost or FVTOCI that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group’s continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

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(f) Significant increase in credit risk

As explained in note 4(dd), ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.

(g) Determining the lease term

In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group’s operation.

Generally, periods covered by an extension option in other properties leases have not been included in the lease liability because the Group could replace the assets without significant cost or business disruption. See note 21 for further information.

The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group’s control. During the Track Record Period, no lease term has been reassessed.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

The carrying amounts of property, plant and equipment as at 31 December 2019, 31 December 2020 and 31 December 2021 were approximately RMB4,845,676,000, RMB8,566,468,000 and RMB15,251,502,000 respectively.

The carrying amounts of right-of-use assets as at 31 December 2019, 31 December 2020 and 31 December 2021 were approximately RMB499,233,000, RMB546,008,000 and RMB643,374,000 respectively.

(b) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than the expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise.

The carrying amount of goodwill as at 31 December 2019, 31 December 2020 and 31 December 2021 were approximately RMB140,097,000, RMB140,097,000 and RMBNil respectively.

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(c) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. During the years ended 31 December 2019, 31 December 2020 and 31 December 2021, income tax credit/(expense) of RMB28,112,000, RMB(22,625,000), and RMB48,107,000 were recognised respectively. Income tax credit/(expense) was recognised in profit or loss based on the estimated future assessable profits of a subsidiary of the Group and the expected tax rates applicable when those deferred tax reversal occurs.

(d) Impairment of trade receivables

The management of the Group estimates the amount of impairment loss for ECL on trade receivables based on the credit risk of trade receivables. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

As at 31 December 2019, 31 December 2020 and 31 December 2021, the carrying amounts of trade receivables were RMB500,158,000, RMB914,910,000 and RMB2,106,368,000 (net of allowance of doubtful debts of RMB96,641,000, RMB119,614,000 and RMB37,191,000), respectively.

(e) Impairment loss on deposits and other receivables

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the deposits and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts, in particular of a loss event, requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the prepayment, deposits and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

During the years ended 31 December 2019, 31 December 2020 and 31 December 2021, RMB1,659,000, RMB1,281,000 and RMB682,000 impairment loss on deposits and other receivables was recognised respectively.

(f) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the aging and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

For the year ended 31 December 2019, RMB120,920,000 allowance of slow-moving inventories was recognised. For the year ended 31 December 2020, RMB49,999,000 reversal of allowance of slow-moving inventories was recognised. For the year ended 31 December 2021, RMB90,088,000 allowance of slow-moving inventories was recognised.

(g) Impairment of investments in associates using equity accounting

Management determines whether investments in associates have suffered any impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable, according to their recoverable amounts determined based on value in use calculations. The determination of impairment indication requires significant judgement, and the calculations of recoverable amount require the use of estimates which are subject to change of economic environment in future.

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As at 31 December 2019, 31 December 2020 and 31 December 2021, the carrying amount of investments in associates using equity accounting were RMB61,917,000, RMB67,884,000 and RMB1,104,966,000 respectively.

(h) Warranty provisions

As explained in Note 40, the Group makes product warranty provision based on its best estimate of the expected settlement under the sales agreements in respect of products sold which are still within the warranty period. The amount of provision takes into account the Group's recent claim experience, historical warranty data and a weighting of all possible outcomes against their associated probabilities. As the Group is continually upgrading its product designs and launching new models, it is possible that the recent claim experience is not indicative of future claims that it will receive in respect of past sales. Any increase or decrease in the provision would affect profit or loss in future years.

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in RMB. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

At 31 December 2019, if the RMB had weakened/strengthened five per cent against United States Dollar with all other variables held constant, consolidated loss after tax for the year would have been RMB2,232,000 lower/higher, arising mainly as a result of the foreign exchange gain on bank balances and trade receivables denominated in United States Dollar.

At 31 December 2019, if the RMB had weakened/strengthened five per cent against Swiss Franc with all other variables held constant, consolidated loss after tax for the year would have been RMB1,606,000 lower/higher, arising mainly as a result of the foreign exchange gain on bank balances denominated in Swiss Franc.

At 31 December 2020, if the RMB had weakened/strengthened five per cent against United States Dollar with all other variables held constant, consolidated profit after tax for the year would have been RMB3,035,000 higher/lower, arising mainly as a result of the foreign exchange gain on bank balances and trade receivables denominated in United States Dollar.

At 31 December 2021, if the RMB had weakened/strengthened five per cent against United States Dollar with all other variables held constant, consolidated profit after tax for the year would have been RMB[839,000] higher/lower, arising mainly as a result of the foreign exchange gain on bank balances and trade receivables denominated in United States Dollar.

No sensitivity analyses on the change of RMB against other currencies are prepared as the impact to the financial statements is insignificant.

(b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, and other financial instruments. The Group's exposure to credit risk arising from bank and cash balances, restricted bank balances and pledged bank deposits is limited because the counterparties are banks and financial institutions with high credit-rating assigned by international credit-rating agencies, for which the Group considers to have low credit risk.

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Trade and bills receivables

Customer credit risk is managed by each business unit subject to the Group’s established policy, procedures and control relating to customer credit risk management. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer’s past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are normally due within 90 days from the date of billing. Debtors with balances that are more than 6 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group’s historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group’s different customer bases.

The following table provides information about the Group’s exposure to credit risk and ECLs for trade receivables at 31 December 2019, 2020 and 2021:

As at 31 December 2019

	Current	0 – 180	Past due	Over	Individually	Total
	<i>RMB’000</i>	<i>days</i>	<i>181 – 365</i>	<i>1 year</i>	<i>Assessed</i>	<i>RMB’000</i>
			<i>days</i>			
Expected credit loss rate (%)	–	5%	10%	50%	100%	
Gross carrying amount	297,919	111,934	65,206	74,434	47,306	596,799
Expected credit losses	–	5,597	6,521	37,217	47,306	96,641

As at 31 December 2020

	Current	0 – 180	Past due	Over	Individually	Total
	<i>RMB’000</i>	<i>days</i>	<i>181 – 365</i>	<i>1 year</i>	<i>Assessed</i>	<i>RMB’000</i>
			<i>days</i>			
Expected credit loss rate (%)	–	5%	10%	50%	100%	
Gross carrying amount	578,801	315,094	12,338	51,332	76,959	1,034,524
Expected credit losses	–	15,755	1,234	25,666	76,959	119,614

As at 31 December 2021

	Current	0 – 180	Past due	Over	Individually	Total
	<i>RMB’000</i>	<i>days</i>	<i>181 – 365</i>	<i>1 year</i>	<i>Assessed</i>	<i>RMB’000</i>
			<i>days</i>			
Expected credit loss rate (%)	–	5%	10%	50%	4.99%	
Gross carrying amount	1,429,484	3,098	20,121	1,156	689,700	2,143,559
Expected credit losses	–	155	2,012	578	34,446	37,191

Expected loss rates are based on actual loss experience over the past 1 year. These rates are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group’s view of economic conditions over the expected lives of the receivables.

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Movement in the loss allowance account in respect of trade receivables is as follows:

	<i>RMB’000</i>
At 1 January 2019	2,496
Acquisition of subsidiaries	58,843
Impairment losses recognised for the year, net	35,418
Amounts written off during the year	(116)
	<hr/>
At 31 December 2019 and 1 January 2020	96,641
Impairment losses recognised for the year, net	23,351
Amounts written off during the year	(378)
	<hr/>
At 31 December 2020 and 1 January 2021	119,614
Impairment losses recognised for the year, net	26,600
Disposal of subsidiaries	(109,023)
	<hr/>
At 31 December 2021	<u>37,191</u>

The ECLs for bills receivables, which are all bank acceptance bills, approximates to zero. Those banks who issue bank acceptance bills are creditworthy banks with no recent history of default.

Financial assets at amortised cost

All of the Group’s financial assets at amortised cost, other than trade and bills receivables, are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12-month expected losses.

Financial assets at amortised cost include deposits and other receivables and amounts due from related parties.

Movement in the loss allowance for financial assets at amortised cost is as follows:

	Deposits and other receivables <i>RMB’000</i>
As at 1 January 2019	1,215
Acquisition of subsidiaries	2,572
Impairment losses recognised for the year	1,659
	<hr/>
At 31 December 2019 and 1 January 2020	5,446
Impairment losses recognised for the year	1,281
	<hr/>
At 31 December 2020 and 1 January 2021	6,727
Disposal of subsidiaries	(2,730)
Impairment losses recognised for the year	682
	<hr/>
At 31 December 2021	<u>4,679</u>

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(c) Liquidity risk

The Group’s policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis based on contractual undiscounted cash flows of the Group’s financial liabilities is as follows:

	Less than 1 year RMB’000	Between 2 to 5 years RMB’000	More than 5 years RMB’000	Total RMB’000
At 31 December 2019				
Trade and bills payables	2,036,979	–	–	2,036,979
Accruals and other payables	636,926	–	–	636,926
Amounts due to related parties	704,298	–	–	704,298
Lease liabilities	23,650	74,044	–	97,694
Bank borrowings	646,856	256,815	–	903,671
Other loans	186,517	180,993	–	367,510
At 31 December 2020				
Trade and bills payables	2,656,718	–	–	2,656,718
Accruals and other payables	1,486,008	–	–	1,486,008
Amounts due to related parties	24,558	–	–	24,558
Lease liabilities	5,872	5,872	–	11,744
Bank borrowings	710,496	150,992	–	861,488
Other loans	72,397	230,766	–	303,163
At 31 December 2021				
Trade and bills payables	6,316,866	–	–	6,316,866
Accruals and other payables	2,097,373	–	–	2,097,373
Amounts due to related parties	22,864	–	–	22,864
Lease liabilities	12,221	16,449	–	28,670
Bank borrowings	131,267	2,349,457	963,313	3,444,037
Financial guarantees	12,354	–	–	12,354
Put option liabilities	941,132	–	–	941,132

(d) Interest rate risk

The Group’s exposure to interest-rate risk mainly arises from its bank deposits, bank borrowings. These deposits and borrowings bear interests at variable rate varied with the prevailing market condition.

At 31 December 2019, if interest rates at that date had been 100 basis points higher with all other variables held constant, consolidated loss after tax for the year would have been RMB7,315,000 lower, arising mainly as a result of higher interest income on bank deposits net of higher interest expenses on bank borrowings. If interest rates had been 100 basis points lower, with all other variables held constant, consolidated loss after tax for the year would have been RMB7,315,000 higher, arising mainly as a result of lower interest income on bank deposits net of lower interest expenses on bank borrowings.

At 31 December 2020, if interest rates at that date had been 100 basis points higher with all other variables held constant, consolidated loss after tax for the year would have been RMB13,043,000 lower, arising mainly as a result of higher interest income on bank deposits net of higher interest expenses on bank borrowings. If interest rates had been 100 basis points lower, with all other variables held constant, consolidated loss after tax for the year would have been RMB13,043,000 higher, arising mainly as a result of lower interest income on bank deposits net of lower interest expenses on bank borrowings.

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At 31 December 2021, if interest rates at that date had been 100 basis points higher with all other variables held constant, consolidated profit after tax for the year would have been RMB38,778,000 lower, arising mainly as a result of higher interest income on bank deposits net of lower interest expenses on bank borrowings. If interest rates had been 100 basis points lower, with all other variables held constant, consolidated profit after tax for the year would have been RMB38,778,000 higher, arising mainly as a result of lower interest income on bank deposits net of lower interest expenses on bank borrowings.

(e) Categories of financial instruments

	As at 31 December		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets:			
Financial assets measured at amortised cost	2,757,699	3,638,951	9,056,505
Financial assets at FVTPL	89,726	1,002,420	3,713,705
Financial assets at FVTOCI	–	1,601,269	2,468,870
Financial liabilities:			
Financial liabilities at amortised cost	4,677,261	5,279,247	11,354,501
Financial guarantees	–	–	12,354
Financial liabilities at FVTPL	–	–	941,132

(f) Fair values

The carrying amounts of the Group’s financial assets and financial liabilities as reflected in the consolidated statements of financial position approximate their respective fair values.

(g) Transfers of financial assets

The following were the Group’s financial assets as at 31 December 2019, 31 December 2020 and 31 December 2021 that were transferred to banks or suppliers by discounting those receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing (note 38). These financial assets are carried at amortised cost in the Group’s consolidated statement of financial position.

As at 31 December 2019

	Bills receivables discounted to banks with full recourse <i>RMB'000</i>
Carrying amount of transferred assets	326,140
Carrying amount of associated liabilities	326,140
	<hr/>
Net position	–
	<hr/> <hr/>

As at 31 December 2020

	Bills receivables discounted to banks with full recourse <i>RMB'000</i>
Carrying amount of transferred assets	40,423
Carrying amount of associated liabilities	40,423
	<hr/>
Net position	–
	<hr/> <hr/>

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As at 31 December 2021

	Bills receivables discounted to banks with full recourse RMB’000
Carrying amount of transferred assets	–
Carrying amount of associated liabilities	–
	<hr/>
Net position	–
	<hr/> <hr/>

7. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

- Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs: unobservable inputs for the asset or liability.

The Group’s policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosures of level in fair value hierarchy:

	Fair value measurements using:			As at 31 December 2019 RMB’000
	Level 1 RMB’000	Level 2 RMB’000	Level 3 RMB’000	
<u>Recurring fair value measurements:</u>				
<u>Financial assets</u>				
Financial assets at FVTPL				
– Investments in wealth management product	–	89,726	–	89,726
	<hr/>	<hr/>	<hr/>	<hr/>

	Fair value measurements using:			As at 31 December 2020 RMB’000
	Level 1 RMB’000	Level 2 RMB’000	Level 3 RMB’000	
<u>Recurring fair value measurements:</u>				
<u>Financial assets</u>				
Financial assets at FVTOCI				
– Certificate of deposit	–	1,601,269	–	1,601,269
Financial assets at FVTPL				
– Investments in commodity linked structural products	–	1,002,420	–	1,002,420
	<hr/>	<hr/>	<hr/>	<hr/>
	–	2,603,689	–	2,603,689
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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	Fair value measurements using:			As at
	Level 1	Level 2	Level 3	31 December
	RMB'000	RMB'000	RMB'000	2021
				RMB'000
Recurring fair value measurements:				
Financial assets				
Financial assets at FVTOCI				
– Certificate of deposit	–	2,468,870	–	2,468,870
Financial assets at FVTPL				
– Investments in commodity linked structural products	–	3,713,705	–	3,713,705
	<u>–</u>	<u>6,182,575</u>	<u>–</u>	<u>6,182,575</u>
Financial liabilities at FVTPL				
– Put option liabilities	–	–	941,132	941,132
	<u>–</u>	<u>–</u>	<u>941,132</u>	<u>941,132</u>

(b) **Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements:**

The Group’s financial controller is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The financial controller reports directly to the Directors for these fair value measurements. Discussions of valuation processes and results are held between the financial controller and the Directors at least once a year.

Level 3 fair value measurements – Put option liabilities classified as financial liabilities at FVTPL

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value – liabilities		
					As at 31 December		
					2019	2020	2021
					RMB'000	RMB'000	RMB'000
Written put option to non-controlling shareholders of subsidiaries	Discounted cash flows	Weighted average cost of capital	10.3%	Decrease			
		Internal rate of return of underlying projects	12% to 13%	Increase			
					<u>–</u>	<u>–</u>	<u>941,132</u>

During the Track Record Period, there were no changes in the valuation techniques used.

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8. REVENUE

(a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service line for the Track Record Period is as follows:

	Year ended 31 December		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from contracts with customers within the scope of IFRS 15			
Sales of EV battery	1,409,888	2,499,300	6,065,200
Sales of ESS products	181,166	238,181	446,080
Others	142,778	87,938	305,835
	<u>1,733,832</u>	<u>2,825,419</u>	<u>6,817,115</u>

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The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines and geographical regions:

For the year ended 31 December	Sales of EV battery			Sales of ESS products			Others			Total	
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000	2021 RMB'000
Primary geographical markets											
– Mainland China	1,341,586	2,422,543	5,970,264	122,278	174,552	367,889	142,778	87,938	305,611	1,606,642	2,685,033
– Europe	28,937	36,814	40,737	29,348	21,515	26,406	-	-	18	58,285	58,329
– Asia	39,001	39,741	44,307	-	-	9	-	-	55	39,001	39,741
– America	331	173	9,853	28,858	41,202	51,649	-	-	151	29,189	41,375
– Others	33	29	39	682	912	127	-	-	-	715	941
Revenue from external customers	1,409,888	2,499,300	6,065,200	181,166	238,181	446,080	142,778	87,938	305,835	1,733,832	2,825,419
Timing of revenue recognition											
Products transferred at a point in time	1,409,888	2,499,300	6,065,200	181,166	238,181	446,080	141,043	83,217	300,994	1,732,097	2,820,698
Products and services transferred over time	-	-	-	-	-	-	1,735	4,721	4,841	1,735	4,721
Total	1,409,888	2,499,300	6,065,200	181,166	238,181	446,080	142,778	87,938	305,835	1,733,832	2,825,419

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ACCOUNTANT’S REPORT

(b) Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at year end and the expected timing of recognising revenue as follows:

	As at 31 December		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	26,585	32,014	106,918

9. INVESTMENT AND OTHER INCOME

During the Track Record Period, the Group recognised investment and other income as follow:

	Year ended 31 December		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest income on:			
Bank deposits	17,580	22,056	66,882
Financial assets at FVTOCI	337	5,653	105,384
	17,917	27,709	172,266
Compensation from suppliers	237	1,120	1,520
Insurance compensation income	47	1,306	997
Others	461	1,509	1,464
	18,662	31,644	176,247

10. GOVERNMENT GRANTS AND SUBSIDIES

During the Track Record Period, the Group recognised government grants and subsidies as follow:

	Year ended 31 December		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Related to assets			
Research and development subsidies (<i>note (a)</i>)	14,848	22,396	19,855
Subsidies on industry development (<i>note (b)</i>)	6,976	12,342	8,924
Others	3,321	4,068	4,345
Related to income			
Research and development subsidies (<i>note (c)</i>)	–	71,387	186,002
Subsidies on employee stability (<i>note (d)</i>)	6,722	10,477	288
Subsidies on recruitment (<i>note (e)</i>)	1,090	1,382	6,231
Subsidies on industry development (<i>note (f)</i>)	248,870	6,821	135,690
Others	26,768	5,988	3,174
	308,595	134,861	364,509

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Notes:

- (a) The items represent subsidies obtained from the government for the development of battery projects, and the subsidy income is released to profit over the expected useful life of relevant assets.
- (b) The items represent subsidies obtained from the government for boosting the industry development, and the subsidy income is released to profit over the expected useful life of relevant assets.
- (c) The items represent corporate R&D subsidies from the government. The compensation for relevant expenditures incurred during the reporting periods were recognised as government subsidies in the consolidated statement of profit or loss.
- (d) The items represent subsidies from the government for maintaining employee stability. The compensation for relevant expenditures incurred during the reporting periods were recognised as government subsidies in the consolidated statement of profit or loss.
- (e) The items represent recruitment subsidies from the government. The compensation for relevant expenditures incurred during the reporting periods were recognised as government subsidies in the consolidated statement of profit or loss.
- (f) The items represent subsidies from the government for boosting the industry development. The same amounts as relevant expenditures incurred during the reporting periods were recognised as government subsidies in the consolidated statement of profit or loss.

The Group received government grants and subsidies from related entities of Government of Jintan District of approximately RMB224 million for the year ended 31 December 2019, approximately RMB78 million for the year ended 31 December 2020 and approximately RMB142 million for the year ended 31 December 2021.

11. OTHER GAINS AND (LOSSES), NET

	Year ended 31 December		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Fair value change in financial assets at FVTPL	726	2,419	13,705
Fair value change in financial guarantees	–	–	1,755
Fair value change in put option liabilities	–	–	(14,512)
Gain on disposal of subsidiaries – Luoyang Company (<i>note 47(b)</i>)	–	–	347,240
Impairment loss on investment in associate – Luoyang Company (<i>note 25</i>)	–	–	(178,700)
Impairment losses on property, plant and equipment	(18,660)	–	–
Impairment losses on intangible asset	–	–	(15)
(Allowance)/reversal of allowance for inventories	(120,920)	49,999	(90,088)
Net foreign exchange losses	(1,252)	(251)	(361)
Net (loss)/gain on disposals of property, plant and equipment	(1,902)	7,417	(25)
Net gain on early termination of lease	–	2,322	–
	<u>(142,008)</u>	<u>61,906</u>	<u>78,999</u>

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12. SEGMENT INFORMATION

The Group has carried on a single business in a single geographical location, which is the design, research and development, production and sales of EV batteries and ESS products in the PRC, and all the assets are substantially located in the PRC. Accordingly, there is only one single business reportable segment which is regularly reviewed by the chief operating decision maker.

Revenue from major customers:

	Year ended 31 December		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Customer G	461,189	1,557,502	3,537,094
Customer C	686,371	582,762	946,661

13. FINANCE COSTS

	Year ended 31 December		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest expenses on lease liabilities (<i>note 21</i>)	2,167	2,552	695
Interest on bank borrowings	19,304	31,072	81,119
Interest on other loans	5,110	15,804	6,717
Interest on loan from a subsidiary of a shareholder	6,686	1,112	–
Interest on loan from a shareholder	7,908	6,825	–
Total borrowing costs	41,175	57,365	88,531
Amount capitalised	–	–	(63,556)
	<u>41,175</u>	<u>57,365</u>	<u>24,975</u>

14. INCOME TAX CREDIT/(EXPENSE)

Income tax credit/(expense) has been recognised in profit or loss as follows:

	Year ended 31 December		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current tax – the PRC			
Provision for the year	–	–	(220,352)
Deferred tax (<i>note 41</i>)	28,112	(22,625)	268,459
	<u>28,112</u>	<u>(22,625)</u>	<u>48,107</u>

Under the relevant income tax law, the PRC subsidiaries are subject to Enterprise Income Tax (“EIT”) at a statutory rate of 25% on their respective taxable income during the year.

Certain subsidiaries operating in Mainland China were approved to be high and new technology enterprises and were entitled to a reduced EIT rate of 15%. The high and new technology enterprises certificates need to be renewed every three years so as to enable those subsidiaries to enjoy the reduced EIT rate of 15%.

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The reconciliation between the income tax credit and the product of loss before tax multiplied by the PRC EIT rate is as follows:

	Year ended 31 December		
	2019 RMB'000	2020 RMB'000	2021 RMB'000
(Loss)/profit before tax	(184,513)	4,297	63,433
Tax at the PRC Enterprise Income			
Tax rate of 15%	(27,677)	645	9,515
Tax effect of expenses that are not deductible	2,670	1,391	9,047
Tax effect of income that are not taxable	–	(990)	(35,887)
Tax effect of super deduction of qualified research and development expenditure	(8,575)	(26,238)	(86,153)
Tax effect of temporary differences not recognised	990	310	5,995
Tax effect of tax losses not recognised	6,302	49,614	69,500
Tax effect of utilisation of tax losses not previously recognised	(789)	–	–
Effect of different tax rates of subsidiaries	(1,033)	(2,107)	(20,124)
Income tax (credit)/expense	<u>(28,112)</u>	<u>22,625</u>	<u>(48,107)</u>

15. (LOSS)/PROFIT FOR THE TRACK RECORD PERIOD

The Group’s (loss)/profit for the Track Record Period are stated after charging/(crediting) the following:

	Year ended 31 December		
	2019 RMB'000	2020 RMB'000	2021 RMB'000
Allowance/(reversal of allowance) for inventories (note 11)	120,920	(49,999)	90,088
Amortisation of intangible assets (note 23)	56,727	72,308	83,431
Cost of inventories sold	1,650,574	2,440,745	6,438,837
Depreciation of property, plant and equipment (note 20)	203,124	214,576	453,486
Depreciation of right-of-use assets (note 21)	17,163	29,583	20,708
Net loss/(gain) on disposals of property, plant and equipment (note 11)	1,902	(7,417)	25
Net gain on early termination of lease (note 11)	–	(2,322)	–
Impairment losses on property, plant and equipment (note 11)	18,660	–	–
Impairment losses on intangible assets (note 11)	–	–	15
Impairment losses on trade and bills receivables	35,418	23,351	26,600
Impairment losses on prepayments, deposits and other receivables	1,659	1,281	682
	<u>1,659</u>	<u>1,281</u>	<u>682</u>

16. EMPLOYEE BENEFITS EXPENSES

	Year ended 31 December		
	2019 RMB'000	2020 RMB'000	2021 RMB'000
Employee benefits expense (including Directors’ emoluments):			
Salaries, bonuses and allowances	220,653	406,491	635,987
Equity-settled share-based payments	8,625	20,440	29,284
Retirement benefit scheme contributions	14,181	15,662	34,238
	<u>243,459</u>	<u>442,593</u>	<u>699,509</u>

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Five highest paid individuals

The five highest paid individuals in the Group for the Track Record Period included one, two, two directors of the Company for the years ended 31 December 2019, 2020 and 2021 respectively, whose emoluments are reflected in the analysis presented in note 17(a). The emoluments of the remaining four, three, three individuals for the years ended 31 December 2019, 2020 and 2021 respectively, are set out below:

	Year ended 31 December		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Basic salaries and allowances	6,110	15,192	15,258
Equity-settled share-based payments	8,194	19,418	27,820
Retirement benefit scheme contributions	167	76	174
	<u>14,471</u>	<u>34,686</u>	<u>43,252</u>

Five highest paid individuals

The emoluments fell with the following band:

	Number of individuals		
	Years ended 31 December		
	2019	2020	2021
HK\$1,500,001 to HK\$2,000,000	2	–	–
HK\$2,000,001 to HK\$2,500,000	1	–	–
HK\$2,500,001 to HK\$3,000,000	1	1	–
HK\$3,000,001 to HK\$3,500,000	–	–	1
HK\$5,500,001 to HK\$6,000,000	1	2	–
HK\$7,000,001 to HK\$7,500,000	–	1	2
HK\$8,500,001 to HK\$9,000,000	–	–	1
HK\$13,000,001 to HK\$13,500,000	–	1	–
HK\$16,500,001 to HK\$17,000,000	–	–	1
	<u>5</u>	<u>5</u>	<u>5</u>

During the Track Record Period, no emoluments were paid by the Group to any of the Directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

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17. BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS

(a) Directors’ and supervisors’ emoluments

	Emoluments paid or receivable in respect of a person’s services as a director, whether of the Company or its subsidiary undertaking							Emoluments paid or receivable in respect of director’s other services in connection with the management of the affairs of the Company or its subsidiary undertaking	Total
	Fees	Salaries and allowances	Discretionary bonus	(Note i) Estimated money value of other benefits	Employer’s contribution to a retirement benefit scheme	Remunerations paid or receivable in respect of office as director	Housing allowance		
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
<u>Chairwoman</u>									
Ms. Liu Jingyu (劉靜瑜女士)	-	2,321	-	3,450	36	-	-	-	5,807
<u>Executive directors</u>									
Mr. Wang Dongliang (王棟梁先生) (note (ii))	-	217	-	-	12	-	-	-	229
Mr. Wang Chongling (王崇嶺先生) (note (iii))	-	675	-	-	-	-	-	-	675
<u>Non-Executive directors</u>									
Mr. Zhang Guoqing (張國慶先生) (note (iv))	-	-	-	-	-	-	-	-	-
Mr. Zhou Sheng (周勝先生)	-	-	-	-	-	-	-	-	-
Mr. Li Yunxiang (李雲祥先生) (note (iv))	-	-	-	-	-	-	-	-	-
Ms. Ju Meina (巨美娜女士) (note (vi))	-	-	-	-	-	-	-	-	-
<u>Supervisors</u>									
Ms. Cheng Yan (程雁女士) (note (v))	-	-	-	-	-	-	-	-	-
Mr. Zhao Chao (趙超先生) (note (vii))	-	267	56	-	6	-	-	-	329
Mr. Shi Rongsheng (史榮生先生) (note (viii))	-	-	-	-	-	-	-	-	-
Total for year ended 31 December 2019	-	3,480	56	3,450	54	-	-	-	7,040

None of the directors waived any emoluments during the Track Record Period.

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	Emoluments paid or receivable in respect of a person’s services as a director, whether of the Company or its subsidiary undertaking							Emoluments paid or receivable in respect of director’s other services in connection with the management of the affairs of the Company or its subsidiary undertaking	Total
	Fees	Salaries and allowances	Discretionary bonus	(Note i) Estimated money value of other benefits	Employer’s contribution to a retirement benefit scheme	Remunerations paid or receivable in respect of accepting office as director	Housing allowance		
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
<u>Chairwoman</u>									
Ms. Liu Jingyu (劉靜瑜女士)	-	2,571	2,495	8,176	8	-	-	-	13,250
<u>Executive directors</u>									
Mr. Dai Ying (戴穎先生) (note (ix))	-	914	1,949	3,066	8	-	-	-	5,937
<u>Non-Executive directors</u>									
Mr. Zhang Guoqing (張國慶先生) (note (iv))	-	-	-	-	-	-	-	-	-
Mr. Zhou Sheng (周勝先生)	-	-	-	-	-	-	-	-	-
Mr. Li Yunxiang (李雲祥先生) (note (iv))	-	-	-	-	-	-	-	-	-
Ms. Ju Meina (巨美娜女士) (note (vi))	-	-	-	-	-	-	-	-	-
<u>Supervisors</u>									
Mr. Jiang Jinhua (姜金華先生) (note (xi))	-	-	-	-	-	-	-	-	-
Ms. Cheng Yan (程雁女士) (note (v))	-	-	-	-	-	-	-	-	-
Ms. Nian Mingzhu (念明珠女士) (note (x))	-	45	15	-	1	-	-	-	61
Mr. Zhao Chao (趙超先生) (note (vii))	-	255	16	-	5	-	-	-	276
Mr. Shi Rongsheng (史榮生先生) (note (viii))	-	-	-	-	-	-	-	-	-
Total for year ended 31 December 2020	-	3,785	4,475	11,242	22	-	-	-	19,524

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	Emoluments paid or receivable in respect of a person’s services as a director, whether of the Company or its subsidiary undertaking							Emoluments paid or receivable in respect of director’s other services in connection with the management of the affairs of the Company or its subsidiary undertaking	Total
	Fees	Salaries and allowances	Discretionary bonus	(Note i) Estimated money value of other benefits	Employer’s contribution to a retirement benefit scheme	Remunerations paid or receivable in respect of accepting office as director	Housing allowance		
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
<u>Chairwoman</u>									
Ms. Liu Jingyu (劉靜瑜女士)	-	2,580	2,495	11,714	39	-	-	-	16,828
<u>Executive directors</u>									
Mr. Dai Ying (戴穎先生) (note (ix))	-	928	1,948	4,393	39	-	-	-	7,308
<u>Non-Executive directors</u>									
Mr. Zhang Guoqing (張國慶先生) (note (iv))	-	-	-	-	-	-	-	-	-
Mr. Zhou Sheng (周勝先生)	-	-	-	-	-	-	-	-	-
Mr. Li Yunxiang (李雲祥先生) (note (iv))	-	-	-	-	-	-	-	-	-
<u>Supervisors</u>									
Mr. Jiang Jinhua (姜金華先生) (note (xi))	-	-	-	-	-	-	-	-	-
Ms. Cheng Yan (程雁女士) (note (v))	-	-	-	-	-	-	-	-	-
Ms. Nian Mingzhu (念明珠女士) (note (x))	-	196	26	-	19	-	-	-	241
Mr. Shi Rongsheng (史榮生先生) (note (viii))	-	-	-	-	-	-	-	-	-
Total for year ended 31 December 2021	-	3,704	4,469	16,107	97	-	-	-	24,377

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Notes:

- (i) Estimated money values of other benefits include equity-settled share-based payments.
- (ii) Mr. Wang Dongliang was resigned on 13 August 2019.
- (iii) Mr. Wang Chongling was resigned on 15 March 2019.
- (iv) Mr. Zhang Guoqing and Li Yunxiang were appointed as director on 13 August 2019.
- (v) Ms. Cheng Yan was appointed as supervisor on 13 August 2019.
- (vi) Ms. Ju Meina was appointed as director on 12 September 2019 and resigned on 15 December 2020.
- (vii) Mr. Zhao Chao was appointed as supervisor on 26 February 2019 and resigned on 15 September 2020.
- (viii) Mr. Shi Rongsheng was appointed as supervisor on 13 August 2019 and resigned on 7 February 2021.
- (ix) Mr. Dai Ying was appointed as director on 2 December 2020.
- (x) Ms. Nian Mingzhu was appointed as supervisor on 15 September 2020.
- (xi) Mr. Jiang Jinhua was appointed as supervisor on 7 February 2021.

(b) Directors’ material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group’s business to which the Company was a party and in which a director of the Company and the director’s connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the Track Record Period.

18. DIVIDENDS

No dividend has been paid or proposed during the Track Record Period.

19. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share during the Track Record Period is based on the (loss)/profit for the year attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares in issue or deemed to be in issue.

As described in Note 45 (v), the Company converted into a joint stock limited liability company and converted its registered capital into 1,200 million ordinary shares with nominal value of RMB1 each in November 2021. For the purpose of computing basic and diluted loss/earnings per share, the weighted average number of ordinary shares deemed to be in issue before the Company’s conversion into a joint stock company was determined assuming the conversion into joint stock company had occurred since 1 January 2019, at the exchange ratio established in the conversion in November 2021.

(a) Basic (loss)/earnings per share

For the years ended 31 December 2019, 31 December 2020 and 31 December 2021, the calculation of basic (loss)/earnings per share is based on the (loss)/profit for the year attributable to owners of the Company of approximately loss of RMB118,690,000, profit of RMB5,157,000 and profit of RMB140,029,000 respectively and the weighted average number of ordinary shares of approximately 467,215,000, 669,540,000 and 1,241,141,000 in issue during the respective years.

(b) Diluted (loss)/earnings per share

No diluted (loss)/earnings per share was presented as the Company did not have any dilutive potential ordinary shares during the Track Record Period.

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20. PROPERTY, PLANT AND EQUIPMENT

The Group

	Building	Machinery	Computer	Furniture	Motor	Leasehold	Construction	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>and office</i>	<i>vehicles</i>	<i>improvement</i>	<i>in progress</i>	<i>RMB'000</i>
				<i>equipment</i>				
				<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2019:								
Cost	630,924	662,238	10,162	12,367	8,818	36,443	633,556	1,994,508
Accumulated depreciation and impairment	(38,515)	(60,949)	(2,100)	(2,755)	(1,250)	(2,866)	–	(108,435)
Net carrying amount	592,409	601,289	8,062	9,612	7,568	33,577	633,556	1,886,073
At 1 January 2019, net of accumulated depreciation and impairment								
	592,409	601,289	8,062	9,612	7,568	33,577	633,556	1,886,073
Additions	18,262	80,214	12,089	13,101	2,177	7,700	1,269,706	1,403,249
Acquisition of subsidiaries	927,654	848,901	8,062	1,175	3,176	7	–	1,788,975
Disposals	–	(4,608)	–	(1)	(6,228)	–	–	(10,837)
Internal transfer	(2,621)	493,529	–	–	–	6,493	(497,401)	–
Depreciation provided during the year	(42,594)	(143,108)	(5,412)	(4,524)	(1,697)	(5,789)	–	(203,124)
Impairment loss	–	(18,660)	–	–	–	–	–	(18,660)
At 31 December 2019, net of accumulated depreciation and impairment								
	1,493,110	1,857,557	22,801	19,363	4,996	41,988	1,405,861	4,845,676
At 31 December 2019 and 1 January 2020:								
Cost	1,724,466	2,363,906	53,708	38,784	16,886	50,712	1,405,861	5,654,323
Accumulated depreciation and impairment	(231,356)	(506,349)	(30,907)	(19,421)	(11,890)	(8,724)	–	(808,647)
Net carrying amount	1,493,110	1,857,557	22,801	19,363	4,996	41,988	1,405,861	4,845,676
At 1 January 2020, net of accumulated depreciation and impairment								
	1,493,110	1,857,557	22,801	19,363	4,996	41,988	1,405,861	4,845,676
Additions	8,815	87,722	28,370	29,232	668	16,941	2,921,471	3,093,219
Additions through issuing shares	849,369	663	–	10,669	–	–	–	860,701
Disposals	–	(7,861)	(93)	(14)	(1)	–	(10,583)	(18,552)
Internal transfer	706,451	16,583	752	538	–	–	(724,324)	–
Depreciation provided during the year	(68,081)	(118,003)	(12,519)	(7,263)	(1,164)	(7,546)	–	(214,576)

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	Building <i>RMB'000</i>	Machinery <i>RMB'000</i>	Computer equipment <i>RMB'000</i>	Furniture and office equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Leasehold improvement <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
At 31 December 2020, net of accumulated depreciation and impairment	2,989,664	1,836,661	39,311	52,525	4,499	51,383	3,592,425	8,566,468
At 31 December 2020 and 1 January 2021:								
Cost	3,289,101	2,213,604	81,361	79,186	17,546	67,653	3,592,425	9,340,876
Accumulated depreciation and impairment	(299,437)	(376,943)	(42,050)	(26,661)	(13,047)	(16,270)	–	(774,408)
Net carrying amount	2,989,664	1,836,661	39,311	52,525	4,499	51,383	3,592,425	8,566,468
At 1 January 2021, net of accumulated depreciation and impairment	2,989,664	1,836,661	39,311	52,525	4,499	51,383	3,592,425	8,566,468
Additions	56,384	132,883	50,751	52,561	3,396	16,629	9,074,487	9,387,091
Disposal of subsidiaries	(856,759)	(887,653)	(12,947)	(4,405)	(2,089)	–	(375,059)	(2,138,912)
Disposals	–	(24,527)	(67)	(70)	(814)	–	(84,181)	(109,659)
Internal transfer	1,070,566	2,301,572	45,497	18,129	–	–	(3,435,764)	–
Depreciation provided during the year	(100,583)	(290,667)	(29,283)	(19,417)	(1,089)	(12,447)	–	(453,486)
At 31 December 2021, net of accumulated depreciation and impairment	3,159,272	3,068,269	93,262	99,323	3,903	55,565	8,771,908	15,251,502
At 31 December 2021								
Cost	3,312,467	3,353,745	135,064	132,159	6,690	84,240	8,771,908	15,796,273
Accumulated depreciation and impairment	(153,195)	(285,476)	(41,802)	(32,836)	(2,787)	(28,675)	–	(544,771)
Net carrying amount	3,159,272	3,068,269	93,262	99,323	3,903	55,565	8,771,908	15,251,502

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The Company

	Building <i>RMB'000</i>	Machinery <i>RMB'000</i>	Computer equipment <i>RMB'000</i>	Furniture and office equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Leasehold improvement <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2019:								
Cost	630,924	499,857	9,030	12,308	8,509	1,797	626,881	1,789,306
Accumulated depreciation and impairment	(38,515)	(51,904)	(1,714)	(2,740)	(1,115)	(13)	–	(96,001)
Net carrying amount	592,409	447,953	7,316	9,568	7,394	1,784	626,881	1,693,305
At 1 January 2019, net of accumulated depreciation and impairment								
	592,409	447,953	7,316	9,568	7,394	1,784	626,881	1,693,305
Additions	13,080	22,618	11,687	12,750	1,694	1,002	1,111,321	1,174,152
Depreciation provided during the year	(21,017)	(74,455)	(3,133)	(4,128)	(1,172)	(831)	–	(104,736)
Disposals	–	–	–	–	(6,227)	–	–	(6,227)
Impairment loss	–	(1,354)	–	–	–	–	–	(1,354)
Internal transfer	392	479,854	–	–	–	–	(480,246)	–
At 31 December 2019, net of accumulated depreciation and impairment								
	584,864	874,616	15,870	18,190	1,689	1,955	1,257,956	2,755,140
At 31 December 2019 and 1 January 2020:								
Cost	644,396	953,513	20,717	25,058	2,439	2,799	1,257,956	2,906,878
Accumulated depreciation and impairment	(59,532)	(78,897)	(4,847)	(6,868)	(750)	(844)	–	(151,738)
Net carrying amount	584,864	874,616	15,870	18,190	1,689	1,955	1,257,956	2,755,140
At 1 January 2020, net of accumulated depreciation and impairment								
	584,864	874,616	15,870	18,190	1,689	1,955	1,257,956	2,755,140
Additions	853,660	14,903	21,951	33,755	533	4,766	1,150,752	2,080,320
Depreciation provided during the year	(26,860)	(32,282)	(9,318)	(6,827)	(606)	(1,668)	–	(77,561)
Disposals	–	–	–	(13)	–	–	–	(13)
Internal transfer	690,143	(161,113)	–	–	–	–	(529,030)	–
At 31 December 2020, net of accumulated depreciation and impairment								
	2,101,807	696,124	28,503	45,105	1,616	5,053	1,879,678	4,757,886

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	Building RMB'000	Machinery RMB'000	Computer equipment RMB'000	Furniture and office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvement RMB'000	Construction in progress RMB'000	Total RMB'000
At 31 December 2020 and 1 January 2021:								
Cost	2,188,199	742,894	42,668	58,782	2,972	7,565	1,879,678	4,922,758
Accumulated depreciation and impairment	(86,392)	(46,770)	(14,165)	(13,677)	(1,356)	(2,512)	–	(164,872)
Net carrying amount	2,101,807	696,124	28,503	45,105	1,616	5,053	1,879,678	4,757,886
At 1 January 2021, net of accumulated depreciation and impairment								
	2,101,807	696,124	28,503	45,105	1,616	5,053	1,879,678	4,757,886
Additions	58,678	34,146	7,982	4,423	849	315	1,066,289	1,172,682
Internal transfer	–	1,088,960	–	401	–	–	(1,089,361)	–
Depreciation provided during the year	(33,083)	(65,698)	(13,507)	(9,422)	(611)	(1,891)	–	(124,212)
Disposals	–	(448,686)	(6)	(43)	–	–	(82,124)	(530,859)
Capital injection in subsidiaries	(2,127,402)	(1,300,300)	(2,077)	(32,128)	(398)	(2,775)	(1,766,688)	(5,231,768)
At 31 December 2021, net of accumulated depreciation and impairment								
	–	4,546	20,895	8,336	1,456	702	7,794	43,729
At 31 December 2021								
Cost	–	12,384	46,644	23,768	3,216	4,103	7,794	97,909
Accumulated depreciation and impairment	–	(7,838)	(25,749)	(15,432)	(1,760)	(3,401)	–	(54,180)
Net carrying amount	–	4,546	20,895	8,336	1,456	702	7,794	43,729

As at 31 December 2019, 31 December 2020 and 31 December 2021, the carrying amount of property, plant and equipment pledged as security for the Group’s other loans amounted to RMB211,164,000, RMB298,504,000 and RMBNil respectively.

As at 31 December 2019, 31 December 2020 and 31 December 2021, the Group was still in the process of obtaining property ownership certificates for certain buildings with a net carrying amount of RMB282,575,000, RMB1,789,594,000 and RMB1,943,612,000.

As at 31 December 2019, 31 December 2020 and 31 December 2021, property, plant and equipment with carrying amounts of approximately RMB Nil, RMB70,405,000 and RMB1,003,207,000 was pledged as security for the Group’s bank borrowings.

As at 31 December 2021, certain construction in progress with net carrying amount of RMB2,165,474,000 was constructed on two parcels of land which the Group was still in the process of obtaining the land certificates. The Group obtained the land certificates of the two land parcels in January 2022.

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21. RIGHT-OF-USE ASSETS

The Group

	Leasehold lands	Leased properties	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At 1 January 2019 upon adoption of IFRS 16	76,781	–	76,781
Additions	156,715	101,146	257,861
Acquisition of subsidiaries	181,754	–	181,754
Depreciation	(4,958)	(12,205)	(17,163)
	<u>410,292</u>	<u>88,941</u>	<u>499,233</u>
At 31 December 2019 and 1 January 2020	410,292	88,941	499,233
Additions	129,259	16,743	146,002
Depreciation	(9,673)	(19,910)	(29,583)
Early termination of leases	–	(69,644)	(69,644)
	<u>529,878</u>	<u>16,130</u>	<u>546,008</u>
At 31 December 2020 and 1 January 2021	529,878	16,130	546,008
Additions	267,869	21,297	289,166
Depreciation	(13,949)	(6,759)	(20,708)
Disposal of Subsidiaries	(171,092)	–	(171,092)
	<u>612,706</u>	<u>30,668</u>	<u>643,374</u>
At 31 December 2021	<u>612,706</u>	<u>30,668</u>	<u>643,374</u>

The Company

	Leasehold lands	Leased properties	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At 1 January 2019 upon adoption of IFRS 16	76,781	–	76,781
Depreciation	(1,628)	–	(1,628)
	<u>75,153</u>	<u>–</u>	<u>75,153</u>
At 31 December 2019 and 1 January 2020	75,153	–	75,153
Additions	129,259	–	129,259
Depreciation	(1,970)	–	(1,970)
	<u>202,442</u>	<u>–</u>	<u>202,442</u>
At 31 December 2020 and 1 January 2021	202,442	–	202,442
Transfer to subsidiaries	(202,550)	–	(202,550)
Additions	20,206	1,860	22,066
Depreciation	(2,216)	(155)	(2,371)
	<u>17,882</u>	<u>1,705</u>	<u>19,587</u>
At 31 December 2021	<u>17,882</u>	<u>1,705</u>	<u>19,587</u>

The Group

	Year ended 31 December		
	2019	2020	2021
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Depreciation expenses on right-of-use assets	17,163	29,583	20,708
Interest expense on lease liabilities (included in finance costs)	2,167	2,552	695
Expenses relating to short-term lease (included in cost of sales, selling expenses and administrative expenses)	866	7,788	[19,720]
Expenses relating to leases of low value assets (included in selling expenses and administrative expenses)	–	346	[2,982]
	<u>–</u>	<u>346</u>	<u>[2,982]</u>

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Details of total cash outflow for leases is set out in note 47(e).

During the Track Record Period, the Group leases various factories and office premise for its operations. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

Lease contracts are entered into for fixed term of 3 year to 5 years. No extension options and termination options are included in the lease contracts.

22. GOODWILL

	<i>RMB’000</i>
Cost	
At 1 January 2019	–
Arising on acquisition of Luoyang Company (<i>note 47(a)</i>)	140,097
	<hr style="border-top: 1px solid black;"/>
At 31 December 2019, 1 January 2020, 31 December 2020, 1 January 2021	140,097
Disposal of controlling interest in Luoyang Company	(140,097)
	<hr style="border-top: 1px solid black;"/>
At 31 December 2021	–
	<hr style="border-top: 3px double black;"/>
Accumulated impairment losses	
At 31 December 2019, 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	–
	<hr style="border-top: 3px double black;"/>
Carrying amount	
At 31 December 2019	140,097
	<hr style="border-top: 3px double black;"/>
At 31 December 2020	140,097
	<hr style="border-top: 3px double black;"/>
At 31 December 2021	–
	<hr style="border-top: 3px double black;"/>

Goodwill acquired in a business combination is allocated, at a acquisition, to the cash generating units that are expected to benefit from the business combination. The carrying amount of goodwill had been allocated to Luoyang Company.

In addition to goodwill, property, plant and equipment, right-of-use assets and intangible assets that generate cash flows together with the related goodwill are also included in the respective CGU for the purpose of impairment assessment.

The recoverable amounts of the CGU has been determined on the basis of its fair value less cost of disposal using discounted cash flow method. The key assumptions for the discounted cash flow method are those regarding the discount rates, growth rates and budgeted gross margin and turnover during the period. The Group estimates discount rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are based on long term operation capacity of the CGU. Budgeted gross margin and turnover are based on past practices and expectations on market development.

The Group prepares Luoyang Company CGU cash flow forecasts derived from the most recent financial budgets approved by the Directors for the period up to year 2027 and with the residual period using growth rate of 0%. The rate used to discount the forecast cash flows is approximately 10.2%.

During the Track Record Period, the Group has no change in valuation technique for the estimation of Luoyang Company CGU’s fair value less cost of disposal.

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23. INTANGIBLE ASSETS

The Group

	Computer software <i>RMB'000</i>	Trademarks <i>RMB'000</i>	Patents <i>RMB'000</i>	Development costs <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Cost						
At 1 January 2019	6,535	–	712,000	–	–	718,535
Additions – internal development	–	–	–	85,849	–	85,849
Additions – purchased	11,604	–	–	–	–	11,604
Acquisition of subsidiaries	8,061	19	202,171	–	–	210,251
Internal transfer	–	–	–	–	–	–
At 31 December 2019 and 1 January 2020	26,200	19	914,171	85,849	–	1,026,239
Additions – internal development	–	–	–	288,345	–	288,345
Additions – purchased	8,590	–	–	–	–	8,590
Internal transfer	–	–	11,321	(11,321)	–	–
At 31 December 2020 and 1 January 2021	34,790	19	925,492	362,873	–	1,323,174
Additions – internal development	–	–	55,138	93,345	–	148,483
Additions – purchased	52,943	–	–	–	2,250	55,193
Acquired from an associate	–	4	323,917	–	–	323,921
Disposal of subsidiaries	(11,879)	(19)	(202,171)	–	–	(214,069)
Internal transfer	–	–	258,119	(258,119)	–	–
At 31 December 2021	75,854	4	1,360,495	198,099	2,250	1,636,702
Accumulated depreciation and impairment						
At 1 January 2019	910	–	416,387	–	–	417,297
Charge for the year	2,256	2	54,469	–	–	56,727
At 31 December 2019 and 1 January 2020	3,166	2	470,856	–	–	474,024
Charge for the year	4,152	4	68,152	–	–	72,308
At 31 December 2020 and 1 January 2021	7,318	6	539,008	–	–	546,332
Charge for the year	7,019	3	76,221	–	188	83,431
Impairment for the year	–	–	15	–	–	15
Disposal of subsidiaries	(4,489)	(9)	(63,585)	–	–	(68,083)
At 31 December 2021	9,848	–	551,659	–	188	561,695
Carrying amount						
At 31 December 2019	23,034	17	443,315	85,849	–	552,215
At 31 December 2020	27,472	13	386,484	362,873	–	776,842
At 31 December 2021	66,006	4	808,836	198,099	2,062	1,075,007

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Computer software were purchased by the Group and has finite useful life. The computer software is stated at cost less accumulated amortisation and any impairment losses, and is amortised on the straight-line basis over its estimated useful life of not more than 10 years.

Trademarks were acquired in a business combination and recognised at fair values at the acquisition date. Trademarks have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated on a straight-line basis over their estimated useful life of 10 years.

Patents have finite useful lives and is amortised on a straight-line basis over its estimated useful life of not more than 10 years.

Development costs are internally generated. The development costs mainly refer to the cost of staff for developing battery related technology, the cost of materials used, utilities fees and other costs. The estimated useful lives of these projects will be determined after completion based on the period of time to generate probable economic benefits. Development costs are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding 10 years. The development costs of relevant technology would be transferred to patents if they can be successfully patented.

The average remaining amortisation period (in years) for the Group’s intangible assets at end of reporting periods are:

	At 31 December 2019 (years)	At 31 December 2020 (years)	At 31 December 2021 (years)
Computer software	7.8	7.8	8.6
Trademarks	4.4	3.4	3.5
Patents	6.3	5.5	7.1
Others	N/A	N/A	4.6

The Company

	Computer Software RMB’000	Trademark RMB’000	Patents RMB’000	Total RMB’000
Cost				
At 1 January 2019	5,533	–	712,000	717,533
Additions	10,885	–	–	10,885
At 31 December 2019 and 1 January 2020	16,418	–	712,000	728,418
Additions	7,815	–	–	7,815
At 31 December 2020 and 1 January 2021	24,233	–	712,000	736,233
Additions	5,481	–	–	5,481
Acquired from an associate	–	4	323,917	323,921
Capital injection in subsidiaries	(6,552)	–	–	(6,552)
Transfer to subsidiaries	(358)	–	(712,000)	(712,358)
At 31 December 2021	22,804	4	323,917	346,725
Accumulated depreciation and impairment				
At 1 January 2019	775	–	416,387	417,162
Charge for the year	1,190	–	40,775	41,965
At 31 December 2019 and 1 January 2020	1,965	–	457,162	459,127
Charge for the year	2,157	–	40,774	42,931

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	Computer Software <i>RMB’000</i>	Trademark <i>RMB’000</i>	Patents <i>RMB’000</i>	Total <i>RMB’000</i>
At 31 December 2020 and 1 January 2021	4,122	–	497,936	502,058
Charge for the year	2,633	–	23,360	25,993
Capital injection in subsidiaries	(926)	–	–	(926)
Transfer to subsidiaries	(197)	–	(518,323)	(518,520)
	<u>5,632</u>	<u>–</u>	<u>2,973</u>	<u>8,605</u>
Carrying amount				
At 31 December 2019	<u>14,453</u>	<u>–</u>	<u>254,838</u>	<u>269,291</u>
At 31 December 2020	<u>20,111</u>	<u>–</u>	<u>214,064</u>	<u>234,175</u>
At 31 December 2021	<u>17,172</u>	<u>4</u>	<u>320,944</u>	<u>338,120</u>

The average remaining amortisation period (in years) for the Company’s intangible assets at end of reporting periods are:

	At 31 December 2019 (years)	At 31 December 2020 (years)	At 31 December 2021 (years)
Computer software	8.8	8.5	7.8
Trademarks	N/A	N/A	3.5
Patents	6.3	5.3	7.3

24. INVESTMENTS IN SUBSIDIARIES

The following table shows information on the subsidiary that have non-controlling interests (“NCI”) material to the Group. The summarised financial information represents amounts before inter-company eliminations.

Name	Luoyang Company As at 31 December	
	2019	2020
Principal place of business/country of incorporation	PRC	PRC
% of ownership interests/voting rights held by NCI	26.64%/	26.64%/
	<i>RMB’000</i>	<i>RMB’000</i>
Non-current assets	2,311,244	2,445,299
Current assets	2,868,419	2,100,095
Non-current liabilities	(614,707)	(438,918)
Current liabilities	<u>(2,814,836)</u>	<u>(2,445,153)</u>
Net assets	<u>1,750,120</u>	<u>1,661,323</u>
Accumulated NCI	<u>466,232</u>	<u>442,577</u>

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	For the period from 1 July to 31 December 2019 RMB’000	Year ended 31 December 2020 RMB’000
Revenue	626,667	1,020,546
(Loss)/profit for the period/year	(120,072)	(88,159)
Total comprehensive expense	<u>(119,954)</u>	<u>(88,795)</u>
(Loss)/profit allocated to NCI	<u>(31,987)</u>	<u>(23,485)</u>
Net cash generated from operating activities	89,316	666,405
Net cash used in investing activities	(66,317)	(234,789)
Net cash (used in)/generated from financing activities	<u>112,416</u>	<u>(496,916)</u>
Net increase/(decrease) in cash and cash equivalents	<u>135,415</u>	<u>(65,300)</u>

25. INVESTMENTS IN ASSOCIATES

	As at 31 December		
	2019 RMB’000	2020 RMB’000	2021 RMB’000
Unlisted investments:			
Share of net assets	46,801	52,768	657,416
Goodwill on acquisition	15,116	15,116	626,250
Less: Impairment loss – note (c)	<u>–</u>	<u>–</u>	<u>(178,700)</u>
	<u>61,917</u>	<u>67,884</u>	<u>1,104,966</u>

Particulars of the associates are as follows:

Name	Place of incorporation and operations	Particulars of paid up/registered capital	As at 31 December	Percentage of ownership interest	Voting power	Profit sharing	Principal activities
滄州明珠鋰電隔膜有限公司 Cangzhou Mingzhu Lithium Battery Diaphragm Co., Ltd.* (“Cangzhou Mingzhu”) – note (b)	The PRC	RMB118,400,000	As at 31 December 2019: 2020: 2021:	10% 10% N/A	10% 10% N/A	10% 10% N/A	Manufacturing and sales of battery diaphragm
CALB USA INC. (“CALB USA”)	The United States (the “USA”)	US\$100,000	As at 31 December 2019: 2020: 2021:	40% 40% N/A	40% 40% N/A	40% 40% N/A	Sales of lithium-ion battery

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Name	Place of incorporation and operations	Particulars of paid up/registered capital	Percentage of ownership interest	Voting power	Profit sharing	Principal activities
Luoyang Company – note (c)	The PRC	Registered capital of RMB990,867,000	As at 31 December 2019: N/A 2020: N/A 2021: 49%	N/A N/A 49%	N/A N/A 49%	Design, research and development manufacturing and sales of EV battery for civil and military industrial use and ESS products
上海泛能新材料科技有限公司 Shanghai Fanneng New Material Technology Co., Ltd.* (“Shanghai Fanneng”)	The PRC	Paid-up capital of RMB4,846,000	As at 31 December 2019: 25% 2020: 25% 2021: N/A	25% 25% N/A	25% 25% N/A	Development and consultancy services of lithium-ion battery
大陸凱博動力電源系統(常州)有限公司 Continental Kaibo Power System (Changzhou) Co., Ltd.*#	The PRC	Registered capital of RMB130,000,000	As at 31 December 2019: 40% 2020: 40% 2021: N/A	40% 40% N/A	40% 40% N/A	Production and development of battery
凱博(海南)私募基金管理有限公司 Kaibo (Hainan) Private Equity Fund Management Co., Ltd.*	The PRC	Registered capital of RMB10,000,000	As at 31 December 2019: N/A 2020: N/A 2021: 30%	N/A N/A 30%	N/A N/A 30%	Private equity fund management
江蘇動力及儲能電池創新中心有限公司 Jiangsu Power and Energy Storage Battery Innovation Center Co., Ltd.*	The PRC	Registered capital of RMB30,000,000	As at 31 December 2019: N/A 2020: N/A 2021: 48%	N/A N/A 48%	N/A N/A 48%	Engineering and technical research and experimental development

The associate was dissolved on 22 April 2021.

* The English translation name is for identification purpose only. The official name of the entity is in Chinese.

Notes:

- (a) All of the above associates are accounted for using the equity method in the consolidated financial statements.
- (b) The Group has less than 20% of equity interest in Cangzhou Mingzhu. With the Group’s presence in the board of Cangzhou Mingzhu and participation in the financial and operating activities of this entity, the Group could exercise significant influence over Cangzhou Mingzhu. Accordingly, Cangzhou Mingzhu is accounted for as associate.
- (c) The Group has disposed of 51% equity interests of Luoyang Company to Jincheng Technology on 8 November 2021 at the consideration of RMB1,530 million. Upon completion of the disposal, the Group lost its control over Luoyang Company and accounted for as an associate with 23.37% retained equity interests. A compensation of RMB397.8 million to Jincheng Technology was subsequently determined to be required and details are set out in note 47(b) and 52(d). In November 2021, the Company acquired 25.63% equity interest of Luoyang Company from non-controlling interest shareholders. As at 31 December 2021, the Group has 49% equity interests in Luoyang Company.

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On 31 December 2021, Luoyang Company entered into entrusted processing framework agreement with the Company that had resulted in material change in the recoverable amount of Luoyang Company. As a result, the carrying amount of the 49% equity interests in Luoyang Company was determined to be impaired to its recoverable amount of RMB1,087.8 million with reference to the fair value of the net assets of Luoyang Company as at 31 December 2021. An impairment loss of RMB178.7 million was recognized in the year ended 31 December 2021

The following table shows information on the associates that are material to the Group. The summarised financial information presented is based on the audited financial statements or management accounts of the associates prepared based on the local accounting standards and further adjusted to comply with IFRSs by the Company’s directors.

	Cangzhou Mingzhou		
	As at 31 December		
	2019	2020	2021
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Non-current assets	452,273	439,085	–
Current assets	89,645	118,233	–
Non-current liabilities	(60,961)	(81,671)	–
Current liabilities	(26,370)	(34,244)	–
Net assets	<u>454,587</u>	<u>441,403</u>	<u>–</u>

Reconciliation to the Group’s interest in Changzhou Mingzhou:

	As at 31 December		
	2019	2020	2021
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Proportion of the ownership	10%	10%	–
Group’s share of net assets	45,459	44,140	–
Goodwill on acquisition	6,824	6,824	–
Carrying amount of the investment	<u>52,283</u>	<u>50,964</u>	<u>–</u>

	For the period	Year ended	For the
	from 1 July to	31 December	period from
	31 December	2020	1 January to
	2019	2020	7 November
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Revenue	27,800	115,116	246,754
(Loss)/profit from operations	(33,807)	(13,185)	79,219
Other comprehensive income/(expense)	–	–	–
Total comprehensive (expense)/income	(33,807)	(13,185)	79,219
Dividend income from associates	<u>–</u>	<u>–</u>	<u>–</u>

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	CALB USA		
	As at 31 December		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets	485	92	–
Current assets	63,817	34,876	–
Non-current liabilities	–	–	–
Current liabilities	(45,265)	(11,858)	–
	<u>19,037</u>	<u>23,110</u>	<u>–</u>
Net assets	<u>19,037</u>	<u>23,110</u>	<u>–</u>

Reconciliation to the Group’s interest in CALB USA:

	As at 31 December		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Proportion of the ownership	40%	40%	–
Group’s share of net assets	7,615	9,244	–
Unrealised profit	(6,273)	(616)	–
Goodwill on acquisition	8,292	8,292	–
	<u>9,634</u>	<u>16,920</u>	<u>–</u>
Carrying amount of the investment	<u>9,634</u>	<u>16,920</u>	<u>–</u>

	For the period	Year ended	For the
	from 1 July to	31 December	period from
	31 December	31 December	1 January to
	2019	2020	7 November
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	58,611	96,120	79,021
(Loss)/profit from operations	(1,504)	5,664	6,045
Other comprehensive income/(expense)	295	(1,591)	(412)
Total comprehensive (expense)/income	(1,209)	4,073	5,633
Dividend income from associates	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>

	Luoyang
	Company
	As at
	31 December
	2021
	<i>RMB'000</i>
Non-current assets	2,549,681
Current assets	2,617,963
Non-current liabilities	(234,088)
Current liabilities	(3,339,103)
	<u>1,594,453</u>
Net assets	<u>1,594,453</u>

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Reconciliation to the Group’s interest in Luoyang Company:

	2021
	<i>RMB’000</i>
Proportion of the ownership	49%
Group’s share of net assets	781,282
Unrealised profit	(155,142)
Financial guarantees	14,110
Goodwill on acquisition	626,250
Impairment	(178,700)
	<u>1,087,800</u>
Carrying amount of the investment	<u>1,087,800</u>
	For the
	period from
	8 November to
	31 December
	2021
	<i>RMB’000</i>
Revenue	527,544
Profit from operations	239,726
Other comprehensive expense	(40)
Total comprehensive income	239,686
Dividend income from associates	–
	<u>–</u>

The following table shows, in aggregate, the Group’s share of the amounts of all individually immaterial associates that are accounted for using the equity method.

	As at 31 December		
	2019	2020	2021
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Carrying amounts of interests	–	–	17,166
	<u>–</u>	<u>–</u>	<u>17,166</u>
	Year ended 31 December		
	2019	2020	2021
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Loss for the year, net	(4,794)	(432)	(335)
Other comprehensive income	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>
Total comprehensive income	(4,794)	(432)	(335)
	<u>(4,794)</u>	<u>(432)</u>	<u>(335)</u>

The Group has not recognised loss for the year ended 31 December 2019, 2020 and 2021 amounting to approximately RMB61,000, RMB121,000 and RMB101,000 respectively. The accumulated losses not recognised were approximately RMB160,000, RMB281,000 and RMBNil respectively as at 31 December 2019, 2020 and 2021.

As at 31 December 2019, 2020 and 2021, the bank and cash balances of the Group’s associates in the PRC denominated in RMB amounted to RMB185,000, RMB2,646,000 and RMB651,798,000 respectively. Conversion of the mentioned balances from RMB into foreign currencies and from foreign currencies into RMB is subject to the PRC’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

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26. INVESTMENTS IN JOINT VENTURES

	As at 31 December		
	2019 <i>RMB’000</i>	2020 <i>RMB’000</i>	2021 <i>RMB’000</i>
Unlisted investments in the PRC:			
Share of net assets	—	—	—

Details of the Group’s joint venture using equity method are as follows:

Name	Place and date of establishments	Registered capital	Percentage of equity interest attributable to the Group during Track Record Period	Principal activities
上海央邁動力技術有限公司 (“Shanghai Yangmai”) CADMA Drivetrain Tec Co., Ltd.*	PRC 6 August 2015	RMB10,000,000	As at 31 December 2019 and 2020: 51% As at 31 December 2021: N/A	Development and wholesale of battery and car accessories

* The English translation name is for identification purpose only. The official name of the entity is in Chinese.

The following table shows, in aggregate, the Group’s share of the amounts of the joint venture that are accounted for using the equity method in the Historical Financial Information.

	As at 31 December		
	2019 <i>RMB’000</i>	2020 <i>RMB’000</i>	2021 <i>RMB’000</i>
Carrying amounts of interest	—	—	—
	For the period from 1 July to 31 December 2019 <i>RMB’000</i>	Year ended 31 December 2020 <i>RMB’000</i>	For the period 1 January to 7 November 2021 <i>RMB’000</i>
Profit/(loss) for the year/period, net	(11)	(369)	—
Other comprehensive income	—	—	—
Total comprehensive income	(11)	(369)	—

The Group has not recognised loss for the year ended 31 December 2019, 31 December 2020 and 31 December 2021 amounting to approximately RMB11,000, RMB369,000 and RMBNil respectively. The accumulated losses not recognised were approximately RMB1,079,000, RMB1,448,000 and RMBNil respectively as at 31 December 2019, 31 December 2020 and 31 December 2021.

As at 31 December 2019, 31 December 2020 and 31 December 2021, the bank and cash balances of the Group’s Joint venture in the PRC denominated in RMB amounted to RMB200,000, RMB13,000 and RMBNil respectively. Conversion of the mentioned balances from RMB into foreign currencies and from foreign currencies into RMB is subject to the PRC’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

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27. INVENTORIES

The Group

	As at 31 December		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	129,560	214,860	1,079,889
Work in progress	432,481	193,861	192,848
Finished goods	744,665	351,605	484,047
Goods in transit	2,521	–	–
	<u>1,309,227</u>	<u>760,326</u>	<u>1,756,784</u>

The Company

	As at 31 December		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	72,607	130,963	–
Work in progress	159,934	38,795	–
Finished goods	303,810	110,489	–
Goods in transit	2,521	–	–
	<u>538,872</u>	<u>280,247</u>	<u>–</u>

28. TRADE AND BILLS RECEIVABLES

The Group

	As at 31 December		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables			
Receivables from third parties	570,125	1,023,314	1,477,522
Due from related parties (<i>note 30</i>)	26,674	11,210	666,037
Allowance for doubtful debts	(96,641)	(119,614)	(37,191)
	<u>500,158</u>	<u>914,910</u>	<u>2,106,368</u>
Bills receivables	641,723	331,409	608,336
	<u>1,141,881</u>	<u>1,246,319</u>	<u>2,714,704</u>

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The Company

	As at 31 December		
	2019 RMB'000	2020 RMB'000	2021 RMB'000
Trade receivables			
Receivables from third parties	75,426	334,487	1,297,230
Due from related parties (<i>note 30</i>)	1,063,038	707,362	4,519,424
Allowance for doubtful debts	(23,662)	(23,662)	(26,540)
	<u>1,114,802</u>	<u>1,018,187</u>	<u>5,790,114</u>
Bills receivables	2,230	12,227	499,041
	<u>1,117,032</u>	<u>1,030,414</u>	<u>6,289,155</u>

The credit terms, being granted to independent third parties, are generally within 90 days. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

All the trade and bills receivables for the Track Record Period are denominated in RMB.

The aging analysis of trade receivables based on the invoice date, and net of allowance, is as follows:

The Group

	As at 31 December		
	2019 RMB'000	2020 RMB'000	2021 RMB'000
0 to 180 days	354,922	772,707	2,077,688
181 to 365 days	32,875	76,620	7,559
1 – 2 years	92,450	27,743	21,121
Over 2 years	19,911	37,840	–
	<u>500,158</u>	<u>914,910</u>	<u>2,106,368</u>

The Company

	As at 31 December		
	2019 RMB'000	2020 RMB'000	2021 RMB'000
0 to 180 days	975,283	1,018,187	5,758,919
181 to 365 days	139,519	–	10,074
1-2 years	–	–	21,121
	<u>1,114,802</u>	<u>1,018,187</u>	<u>5,790,114</u>

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Reconciliation of allowance for trade receivables:

The Group

	As at 31 December		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January	2,496	96,641	119,614
Acquisition of subsidiaries	58,843	–	–
Allowance for the year, net	35,418	23,351	26,600
Amounts written off during the year	(116)	(378)	–
Disposal of subsidiaries	–	–	(109,023)
	<u>96,641</u>	<u>119,614</u>	<u>37,191</u>
At 31 December	<u>96,641</u>	<u>119,614</u>	<u>37,191</u>

The Company

	As at 31 December		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January	2,496	23,662	23,662
Allowance for the year	21,166	–	2,878
	<u>23,662</u>	<u>23,662</u>	<u>26,540</u>
At 31 December	<u>23,662</u>	<u>23,662</u>	<u>26,540</u>

As at 31 December 2019, 31 December 2020 and 31 December 2021, the fair values of trade and bills receivables of the Group approximated to their carrying amounts.

Bills receivables represent short-term bank acceptance bills receivable that entitle the Group to receive the full face amount from the banks at maturity, which generally ranges from 3 to 12 months from the date of issuance. Historically, the Group had experienced no credit losses on bills receivable. The Group from time to time endorses bills receivable to suppliers in order to settle trade payables.

As at 31 December 2019, 31 December 2020 and 31 December 2021, the Group endorsed certain bank acceptance bills to suppliers for settling trade payables of the same amount on a full recourse basis. The Group has derecognised these bills receivable and payables to suppliers in their entirety. These derecognised bank acceptance bills had a maturity date of less than 12 months from the end of the reporting period. In the opinion of the directors, the Group has transferred substantially all the risks and rewards of ownership of these bills and has discharged its obligation of the payables to its suppliers, and the Group has limited exposure in respect of the settlement obligation of these bills receivable under the relevant PRC rules and regulations, should the issuing banks fail to settle the bills on maturity date. The Group considered the issuing banks of these bills are of good credit quality and non-settlement of these bills by the issuing banks on maturity is not probable. As at 31 December 2019, 31 December 2020 and 31 December 2021, the Group’s maximum exposure to loss and undiscounted cash outflow, which is same as the amount payable by the Group to suppliers in respect of the endorsed bills, should the issuing banks fail to settle the bills on maturity date, amounted to RMB93,865,000, RMB25,131,000 and RMB111,950,000 respectively.

As at 31 December 2019, 31 December 2020 and 31 December 2021, bills receivable of RMB326,140,000, RMB40,423,000 and RMB Nil were discounted to banks or other financial institutions with recourse, where substantially the risks and rewards of ownership had not been transferred respectively. Since the Group has continuing involvement in the transferred assets, these discounted bills receivable were therefore not derecognised.

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The carrying amounts of the Group’s trade and bills receivables are denominated in the following currencies:

	As at 31 December		
	2019 RMB’000	2020 RMB’000	2021 RMB’000
RMB	1,104,635	1,226,195	2,707,451
US\$	37,015	20,124	7,120
EUR	231	–	133
	1,141,881	1,246,319	2,714,704
	1,141,881	1,246,319	2,714,704

The Company’s trade and bills receivables are denominated in RMB.

29. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group

	As at 31 December		
	2019 RMB’000	2020 RMB’000	2021 RMB’000
Deposits paid for acquisition of property, plant and equipment (<i>note</i>)	252,455	484,181	1,675,984
Prepayments	54,833	48,659	571,998
Other tax receivables	395,541	542,868	1,042,216
Government subsidies receivable	71,571	–	–
Other deposits	4,343	4,657	28,176
Other receivables	7,792	32,437	3,359
	786,535	1,112,802	3,321,733
	786,535	1,112,802	3,321,733
Analysed as:			
Non-current assets	252,455	484,181	1,675,984
Current assets	534,080	628,621	1,645,749
	786,535	1,112,802	3,321,733
	786,535	1,112,802	3,321,733

Note: As at 31 December 2019, 31 December 2020 and 31 December 2021, deposit of RMB Nil, RMB24,000,000 and RMB24,000,000 respectively were paid to Dongli New Energy Technology, a subsidiary of a shareholder of the Company, for purchasing property, plant and equipment. The amounts were non-trade in nature, unsecured, interest free and non-refundable.

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The Company

	As at 31 December		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Deposits paid for acquisition of property, plant and equipment	185,828	145,324	182,107
Prepayments	49,631	20,010	142,659
Other tax receivables	314,611	349,067	175,737
Other receivables	6,789	4,990	7,512
	<u>556,859</u>	<u>519,391</u>	<u>508,015</u>
Analysed as:			
Non-current assets	185,828	145,324	182,107
Current assets	371,031	374,067	325,908
	<u>556,859</u>	<u>519,391</u>	<u>508,015</u>

Reconciliation of allowances for prepayments, deposits and other receivables:

The Group

	As at 31 December		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January	1,215	5,446	6,727
Acquisition of subsidiaries	2,572	–	–
Disposal of subsidiaries	–	–	(2,730)
Allowance for the year	1,659	1,281	682
	<u>5,446</u>	<u>6,727</u>	<u>4,679</u>
At 31 December	<u>5,446</u>	<u>6,727</u>	<u>4,679</u>

The Company

	As at 31 December		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January	1,215	2,043	3,570
Allowance for the year	828	1,527	1,049
	<u>2,043</u>	<u>3,570</u>	<u>4,619</u>
At 31 December	<u>2,043</u>	<u>3,570</u>	<u>4,619</u>

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The carrying amounts of the Group’s and the Company prepayments, deposits and other receivables are denominated in the following currencies:

The Group

	As at 31 December		
	2019 RMB’000	2020 RMB’000	2021 RMB’000
RMB	783,640	1,111,892	3,321,128
US\$	2,895	910	605
	<u>786,535</u>	<u>1,112,802</u>	<u>3,321,733</u>

The Company

	As at 31 December		
	2019 RMB’000	2020 RMB’000	2021 RMB’000
RMB	553,964	519,380	507,411
US\$	2,895	11	604
	<u>556,859</u>	<u>519,391</u>	<u>508,015</u>

30. BALANCES WITH RELATED PARTIES

The Group

	Note	As at 31 December		
		2019 RMB’000	2020 RMB’000	2021 RMB’000
<i>Trade receivables</i>				
– CALB USA	(v)	26,674	11,210	–
– Luoyang Company		–	–	666,037
		<u>26,674</u>	<u>11,210</u>	<u>666,037</u>
Allowance for doubtful debts	28	–	–	(10,783)
		<u>26,674</u>	<u>11,210</u>	<u>655,254</u>
<i>Deposits paid for acquisition of property, plant and equipment</i>				
Non-trade related:				
– Dongli New Energy Technology	29	–	24,000	24,000
<i>Amounts due from related parties</i>				
Trade-related:				
– Luoyang Company	(vii)	–	–	813,073
Non-trade related				
– CALB USA		3,666	–	–
– Luoyang Company		–	–	132,278
– Shanghai Yangmai	(v)	29	3,550	–
– Huake Engineering	(iii)	3,022	2,219	381
– Jincheng Technology		–	–	979,200
		<u>6,717</u>	<u>5,769</u>	<u>1,924,932</u>

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	Note	As at 31 December		
		2019 RMB'000	2020 RMB'000	2021 RMB'000
<i>Trade payables</i>				
– Luoyang Company	33	–	–	203,526
<i>Loan from a subsidiary of a shareholder</i>				
Current – Unsecured and repayable within one year				
– Jinsha Capital Management	(iv)	45,907	–	–
<i>Loan from a shareholder</i>				
Non current – Unsecured and repayable after one year				
– Jinsha Investment	(iv)	650,260	–	–
		696,167	–	–
<i>Amounts due to related parties</i>				
Trade related:				
– Shanghai Yangmai	(v)	4,700	4,700	–
Non-trade related:				
– Luoyang Company		–	–	12,890
– Huake Engineering		173	24,558	160
– Jiangsu Chengdong Construction		–	–	9,814
		4,873	29,258	22,864
Total amounts due to related parties		701,040	29,258	22,864
Less: Amounts due to related parties – current portion		(50,780)	(29,258)	(22,864)
Total amount due to related parties – non-current portion		650,260	–	–

The Company

	Note	As at 31 December		
		2019 RMB'000	2020 RMB'000	2021 RMB'000
<i>Trade receivables</i>				
– Xiamen Company		–	2,102	553
– Luoyang Company		1,053,804	652,108	258
– Jiangsu Research Institute		9,234	53,152	173,185
– Jiangsu Company		–	–	4,345,428
	28	1,063,038	707,362	4,519,424

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	Note	As at 31 December		
		2019 RMB'000	2020 RMB'000	2021 RMB'000
<i>Amounts due from related parties</i>				
Trade-related:				
– Luoyang Company	(vii)	–	250,000	813,073
– Jiangsu Research Institute		–	58,469	175,465
Non-trade related				
– Xiamen Company		246,960	48,557	–
– Luoyang Company		–	62,291	104,028
– Jiangsu Research Institute		4,585	21,610	109,541
– Jiangsu Company		–	–	2,441,421
– Huake Engineering		746	369	369
– Jincheng Technology		–	–	979,200
		<u>252,291</u>	<u>441,296</u>	<u>4,623,097</u>
<i>Trade payables</i>				
– Luoyang Company		9,217	–	122,098
– Xiamen Company		–	1,262,632	3,575,304
– Jiangsu Research Institute		–	7,880	21,390
– Jiangsu Company		–	–	1,389,278
		<u>9,217</u>	<u>1,270,512</u>	<u>5,108,070</u>
	33			
<i>Loan from a shareholder</i>				
Non current – Unsecured and repayable after one year				
– Jinsha Investment	(iv)	<u>650,260</u>	–	–
<i>Amounts due to related parties</i>				
Non-trade related:				
– Luoyang Company		300,697	–	4
– Huake Engineering		–	316	160
– Xiamen Company		–	13	–
– Jiangsu Research Institute		–	–	3
– Jiangsu Company		–	–	191,289
– Jiangsu Chengdong Construction		–	–	45
		<u>300,697</u>	<u>329</u>	<u>191,501</u>
Total amounts due to related parties		950,957	329	191,501
Less: Amounts due to related parties – current portion		<u>(300,697)</u>	<u>(329)</u>	<u>(191,501)</u>
Total amount due to related parties – non-current portion		<u>650,260</u>	<u>–</u>	<u>–</u>

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Notes:

- (i) The trade-related outstanding balances with related parties are unsecured, non-interest bearing and repayable within credit term 180 days.
- (ii) The non-trade related balances with related parties are unsecured, non-interest bearing and repayables on demand.
- (iii) As at 31 December 2019, 2020 and 2021, allowance of RMB122,000, RMB428,000 and RMB155,000 were made respectively for estimated irrecoverable amount due from Huake Engineering during the Track Record Period.
- (iv) The loan balances due from Jinsha Capital Management and Jinsha Investment, which bear interest ranged from 1.2% to 7.8% per annum, were repayable within one year and in March 2031 respectively. As set out in note 47(c), the loan from Jinsha Investment was converted into paid-in capital of the Company during the year ended 31 December 2020.
- (v) The entities were no longer recognised as an associate or a joint venture of the Group after the Company disposed 51% of equity interest in Luoyang Company, a company directly held the equity interests in both entities, in November 2021.
- (vi) No allowances were made for the amount due from a joint venture during the Track Record Period.
- (vii) The balance represents the prepayment for the purchase of goods in accordance with the contractual term.

31. OTHER FINANCIAL ASSETS

(a) Financial assets at FVTPL

The Group

	As at 31 December		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Included in current assets:			
Investment in wealth management products, at fair value (i)	89,726	–	–
Investments in structured products, at fair value (ii)	–	1,002,420	3,713,705
	<u>89,726</u>	<u>1,002,420</u>	<u>3,713,705</u>

The Company

	As at 31 December		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Included in current assets:			
Investments in structured products, at fair value (ii)	–	1,002,420	3,713,705
	<u>–</u>	<u>1,002,420</u>	<u>3,713,705</u>

- (i) The Group invested in wealth management product offered by bank in the PRC. The principals of investment were not guaranteed by the bank under normal circumstances. The wealth management products offer variable returns ranged from 2.5% p.a. to 3.3% p.a..

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- (ii) The Group invested in certain short term structured products offered by bank in the PRC. The principals of investment were guaranteed by the bank under normal circumstances (except for forced majeure situations). The structured products offer variable returns ranged from 0.8% p.a. to 3.3% p.a. which depends on the settlement price of gold, market price of certain listed funds, ETF, index and exchange rate of foreign currency, at the end of the investment period of the structured products.

The fair value of the wealth management product and the commodity linked structured products are based on the principals plus accrued returns estimated by the expected average returns on those contracts.

The carrying amount of the above financial assets are mandatorily measured at FVTPL in accordance with IFRS 9.

The Group’s and the Company’s financial assets at FVTPL are denominated in RMB.

(b) Financial assets at FVTOCI

The Group

	As at 31 December		
	2019	2020	2021
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Included in current assets:			
Certificate of deposit	–	1,601,269	2,468,870
	<u> </u>	<u> </u>	<u> </u>

The Company

	As at 31 December		
	2019	2020	2021
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Included in current assets:			
Certificate of deposit	–	1,601,269	2,468,870
	<u> </u>	<u> </u>	<u> </u>

The Group invested in “3-year certificate of deposit” offered by bank in the PRC with the terms that the Group could not withdraw the deposits in advance but could sell them to others. The annual interest rates are fixed in the range of 3.15% p.a. to 3.79% p.a.. As the Group manage the above financial product with the objective of both the collection of contractual cash flows and sale, it was recognised as financial assets at FVTOCI in the consolidated financial statements.

The Group’s and the Company’s financial assets at FVTOCI are denominated in RMB.

32. PLEDGED BANK DEPOSITS, RESTRICTED BANK BALANCES AND BANK AND CASH BALANCES

(a) Pledged bank deposits

The Group’s pledged bank deposits represented deposits pledged to banks for issuance of bank acceptance bills, letter of credit and [performance bonds]. The amount was denominated in RMB.

Conversion of the above balances from RMB into foreign currencies and from foreign currencies into RMB is subject to the PRC’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

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(b) Restricted bank balances

The Group’s restricted bank balances represented bank balances restricted for construction of lithium-ion battery manufacturing plant. The amount was denominated in RMB.

Conversion of the above balances from RMB into foreign currencies and from foreign currencies into RMB is subject to the PRC’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

(c) Bank and cash balances

Bank and cash balances of the Group deposited with banks in the PRC are denominated in the following currencies:

The Group

	As at 31 December		
	2019 RMB’000	2020 RMB’000	2021 RMB’000
RMB	351,227	1,620,162	3,086,563
US\$	50,325	72,030	17,861
CHF	42,815	–	–
EUR	862	1,092	5,094
	<u>445,229</u>	<u>1,693,284</u>	<u>3,109,518</u>

The Company

	As at 31 December		
	2019 RMB’000	2020 RMB’000	2021 RMB’000
RMB	150,770	866,452	1,643,766
US\$	–	965	17,861
EUR	–	–	4,959
	<u>150,770</u>	<u>867,417</u>	<u>1,666,586</u>

Conversion of the above balances from RMB into foreign currencies and from foreign currencies into RMB is subject to the PRC’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

33. TRADE AND BILLS PAYABLES

The Group

	As at 31 December		
	2019 RMB’000	2020 RMB’000	2021 RMB’000
Trade payables			
Payables to third parties	906,987	1,272,789	3,241,652
Due to related parties (note 30)	–	–	203,526
Bills payables	<u>1,129,992</u>	<u>1,383,929</u>	<u>2,871,688</u>
	<u>2,036,979</u>	<u>2,656,718</u>	<u>6,316,866</u>

As at 31 December 2019, 31 December 2020 and 31 December 2021, bills payables were secured by bills receivables of RMB203,130,000, RMB172,114,000 and RMB476,004,000 respectively.

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The Company

	As at 31 December		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables			
Payables to third parties	538,159	237,717	493,778
Due to related parties (<i>note 30</i>)	9,217	1,270,512	5,108,070
Bills payables	854,105	517,751	943,200
	<u>1,401,481</u>	<u>2,025,980</u>	<u>6,545,048</u>

The aging analysis of trade payables, based on the date of receipt of goods is as follows:

The Group

	As at 31 December		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
0 to 180 days	859,219	1,234,387	3,439,948
181 – 365 days	34,320	17,712	976
1 – 2 years	12,089	10,579	654
Over 2 years	1,359	10,111	3,600
	<u>906,987</u>	<u>1,272,789</u>	<u>3,445,178</u>

The Company

	As at 31 December		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
0 to 180 days	527,956	1,497,390	5,596,668
181 – 365 days	18,057	3,147	926
1 – 2 years	1,360	6,424	654
Over 2 years	3	1,268	3,600
	<u>547,376</u>	<u>1,508,229</u>	<u>5,601,848</u>

The carrying amounts of the Group’s trade and bills payables are denominated in the following currencies:

The Group

	As at 31 December		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
RMB	2,036,529	2,656,718	6,314,271
US\$	450	–	2,595
	<u>2,036,979</u>	<u>2,656,718</u>	<u>6,316,866</u>

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The Company

	As at 31 December		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
RMB	1,401,031	2,025,980	6,542,543
US\$	450	–	2,505
	<u>1,401,481</u>	<u>2,025,980</u>	<u>6,545,048</u>

34. ACCRUALS AND OTHER PAYABLES

The Group

	As at 31 December		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Deposits received	19,086	42,530	82,074
Accrued salaries	113,379	150,768	139,657
Accrued expenses	11,711	17,975	142,838
Fund advanced from government-related entity (<i>note</i>)	–	500,000	500,000
Payable for property, plant and equipment	468,923	736,564	1,207,095
Other tax payables	8,504	24,626	21,406
Other payables	23,827	38,171	25,709
	<u>645,430</u>	<u>1,510,634</u>	<u>2,118,779</u>

The Company

	As at 31 December		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Deposits received	10,775	27,192	24,036
Accrued salaries	49,571	78,569	42,659
Accrued expenses	2,288	6,085	5,697
Payable for property, plant and equipment	335,872	520,858	1,579
Other tax payables	3,289	5,805	6,105
Other payables	3	1,817	15,428
	<u>401,798</u>	<u>640,326</u>	<u>95,504</u>

Note: Finance Bureau of Xiamen City ultimately controlled certain shareholders of the Company and has significant influence over the Group. During the year ended 31 December 2020 and 2021, the Group received certain funds from the Xiamen City government-related entity. As at 31 December 2021, the funds of RMB1,000 million were recognised as government grant and transferred to deferred income. The remaining funds of RMB500 million have not yet been recognised as government grant as at respective end of reporting period as the Group has not yet received the official confirmation of meeting the conditions attaching to the grant.

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The carrying amounts of the Group’s accruals and other payables are denominated in the following currencies:

The Group

	As at 31 December		
	2019	2020	2021
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
RMB	644,742	1,500,835	2,098,449
US\$	688	–	–
JPY	–	9,799	20,330
	<u>645,430</u>	<u>1,510,634</u>	<u>2,118,779</u>

The Company

	As at 31 December		
	2019	2020	2021
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
RMB	<u>401,798</u>	<u>640,326</u>	<u>95,504</u>

35. CONTRACT LIABILITIES

Contract liabilities are mainly advance payments from customers. The amounts are expected to be recognised as revenue within 1 year from the end of the respective reporting period.

The Group

	As at 31 December		
	2019	2020	2021
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Billings in advance of performance obligation			
– arising from sales of products	<u>26,585</u>	<u>32,014</u>	<u>106,918</u>

The Company

	As at 31 December		
	2019	2020	2021
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Billings in advance of performance obligation			
– arising from sales of products	<u>65</u>	<u>8</u>	<u>106,031</u>

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Movements in contract liabilities:

The Group

	Year ended 31 December		
	2019	2020	2021
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Balance at beginning of year	–	26,585	32,014
Acquisition of subsidiaries	40,812	–	–
Increase in contract liabilities as a result of billing in advance of battery sales	26,585	32,014	106,918
Decrease in contract liabilities as a result of recognising revenue during the year	(40,812)	(26,585)	(32,014)
	<u>26,585</u>	<u>32,014</u>	<u>106,918</u>
Balance at end of year	<u><u>26,585</u></u>	<u><u>32,014</u></u>	<u><u>106,918</u></u>

The Company

	Year ended 31 December		
	2019	2020	2021
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Balance at beginning of year	–	65	8
Increase in contract liabilities as a result of billing in advance of battery sales	65	8	106,031
Decrease in contract liabilities as a result of recognising revenue during the year	–	(65)	(8)
	<u>65</u>	<u>8</u>	<u>106,031</u>
Balance at end of year	<u><u>65</u></u>	<u><u>8</u></u>	<u><u>106,031</u></u>

36. DEFERRED INCOME

The Group

	As at 31 December		
	2019	2020	2021
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Government subsidies	<u>249,656</u>	<u>217,774</u>	<u>914,108</u>
Analysed as:			
Non-current liabilities	<u>249,656</u>	<u>217,774</u>	<u>914,108</u>

The Company

	As at 31 December		
	2019	2020	2021
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Government subsidies	<u>7,281</u>	<u>8,290</u>	<u>9,958</u>
Analysed as:			
Non-current liabilities	<u>7,281</u>	<u>8,290</u>	<u>9,958</u>

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The movements in deferred income related to government grants and subsidies during the Track Record Period are as follows:

The Group

	Year ended 31 December		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January	95,691	249,656	217,774
Received	10,559	6,924	9,568
Transferred from other payables	–	–	1,000,000
Acquisition of subsidiaries	168,552	–	–
Released to profit or loss	(25,146)	(38,806)	(205,309)
Disposal of subsidiaries	–	–	(107,925)
	<u>–</u>	<u>–</u>	<u>(107,925)</u>
At 31 December	<u>249,656</u>	<u>217,774</u>	<u>914,108</u>

The Company

	Year ended 31 December		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January	5,622	7,281	8,290
Received	2,620	2,140	3,109
Released to profit or loss	(961)	(1,131)	(1,441)
	<u>(961)</u>	<u>(1,131)</u>	<u>(1,441)</u>
At 31 December	<u>7,281</u>	<u>8,290</u>	<u>9,958</u>

Various government grants have been received for basic research and development activities. Government grants received for which related expenditure has not yet been undertaken are included in deferred income in the consolidated statement of financial position. A certain grant received relates to an asset is also credited to deferred income and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

37. LEASE LIABILITIES

The Group

	Minimum lease payments			Present value of minimum lease payments		
	As at 31 December			As at 31 December		
	2019	2020	2021	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	23,650	5,872	12,221	22,230	5,346	11,042
In the second to fifth years, inclusive	74,044	5,872	16,449	69,511	5,612	15,709
	<u>97,694</u>	<u>11,744</u>	<u>28,670</u>	<u>91,741</u>	<u>10,958</u>	<u>26,751</u>
Less: Future finance charges	(5,953)	(786)	(1,919)	N/A	N/A	N/A
	<u>(5,953)</u>	<u>(786)</u>	<u>(1,919)</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Present value of lease obligations	<u>91,741</u>	<u>10,958</u>	<u>26,751</u>	91,741	10,958	26,751

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	Minimum lease payments			Present value of minimum lease payments		
	As at 31 December			As at 31 December		
	2019	2020	2021	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Less: Amount due for settlement within 12 months (shown under current liabilities)				(22,230)	(5,346)	(11,042)
Amount due for settlement after 12 months				<u>69,511</u>	<u>5,612</u>	<u>15,709</u>

The weighted average incremental borrowing rates applied to lease liabilities:

	As at 31 December		
	2019	2020	2021
	%	%	%
Range from	<u>4.75</u>	<u>4.75</u>	<u>4.75</u>

The Group’s lease liabilities are denominated in RMB.

The Company

	Minimum lease payments			Present value of minimum lease payments		
	As at 31 December			As at 31 December		
	2019	2020	2021	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	-	-	629	-	-	554
In the second to fifth years, inclusive	-	-	1,319	-	-	1,264
Less: Future finance charges	-	-	1,948	-	-	1,818
	-	-	(130)	N/A	N/A	N/A
Present value of lease obligations	<u>-</u>	<u>-</u>	<u>1,818</u>	-	-	1,818
Less: Amount due for settlement within 12 months (shown under current liabilities)				-	-	(554)
Amount due for settlement after 12 months				<u>-</u>	<u>-</u>	<u>1,264</u>

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The weighted average incremental borrowing rates applied to lease liabilities:

	As at 31 December		
	2019	2020	2021
	%	%	%
Range from	–	–	4.75
	<u> </u>	<u> </u>	<u> </u>

The Company’s lease liabilities are denominated in RMB.

38. BORROWINGS

The Group

	As at 31 December		
	2019	2020	2021
	RMB’000	RMB’000	RMB’000
Bank borrowing	875,829	827,459	2,890,647
	<u> </u>	<u> </u>	<u> </u>

The borrowings are repayable as follows:

	As at 31 December		
	2019	2020	2021
	RMB’000	RMB’000	RMB’000
Within one year	626,810	687,459	3,647
More than one year, but not exceeding two years	249,019	10,000	240,469
More than two years, but not more than five years	–	130,000	1,713,390
More than five years	–	–	933,141
	<u> </u>	<u> </u>	<u> </u>
	875,829	827,459	2,890,647
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(626,810)</u>	<u>(687,459)</u>	<u>(3,647)</u>
Amount due for settlement after 12 months	<u>249,019</u>	<u>140,000</u>	<u>2,887,000</u>

The carrying amounts of the Group’s borrowings are denominated in the RMB.

The average interest rates at 31 December were as follows:

	As at 31 December		
	2019	2020	2021
	%	%	%
Bank borrowing	4.89	4.44	4.41
	<u> </u>	<u> </u>	<u> </u>

The following bank loans are arranged at fixed interest rates and expose the Group to fair value interest rate risk. Other borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

	As at 31 December		
	2019	2020	2021
	RMB’000	RMB’000	RMB’000
Arranged at fixed interest rates	–	386,794	–
	<u> </u>	<u> </u>	<u> </u>

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As at 31 December 2021, bank loans of RMB2,887,000,000 (31 December 2020: N/A, 2019: N/A), are secured by the Group’s property, plant and equipment of RMB1,003,207,000 (Note 20) and right-of-use assets of RMB167,356,000 (note 21).

Certain banking facilities of Luoyang Company are subject to the fulfilment of covenants relating to the subsidiary’s financial position, performance and results. If Luoyang Company was to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors Luoyang Company’s compliance with these covenants. As at 31 December 2019, 2020 and 7 November 2021, none of the covenants relating to banking facilities had been breached.

The Company

	As at 31 December		
	2019	2020	2021
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Bank borrowing	–	–	1,088,291
	<u>–</u>	<u>–</u>	<u>1,088,291</u>

The borrowings are repayable as follows:

	As at 31 December		
	2019	2020	2021
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Within one year	–	–	1,291
More than one year, but not more than two years	–	–	40,469
More than two years, but not more than five years	–	–	413,390
More than five years	–	–	633,141
	<u>–</u>	<u>–</u>	<u>1,088,291</u>
Less: Amount due for settlement within 12 months (shown under current liabilities)	–	–	(1,291)
	<u>–</u>	<u>–</u>	<u>–</u>
Amount due for settlement after 12 months	–	–	1,087,000
	<u>–</u>	<u>–</u>	<u>1,087,000</u>

As at 31 December 2021, bank loans of RMB1,087,000,000 (31 December 2020: N/A, 2019: N/A), are secured by a subsidiary’s right-of-use assets of RMB17,954,000 (note 21).

39. OTHER LOANS

	<i>Note</i>	As at 31 December		
		2019	2020	2021
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
	<i>Note</i>			
AVIC International Leasing Co., Ltd.* 中航國際租賃有限公司	(i)	200,897	273,546	–
Aviation Industry Corporation of China, Ltd.* 中國航空工業集團有限公司	(ii)	138,549	–	–
		<u>339,446</u>	<u>273,546</u>	<u>–</u>

* The English translation name is for identification purpose only. The official name of the entity is in Chinese.

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The other loans are repayable as follows:

	As at 31 December		
	2019 <i>RMB'000</i>	2020 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within one year	175,711	60,564	–
More than one year, but not exceeding two years	38,043	63,287	–
More than two years, but not more than five years	125,692	149,695	–
	339,446	273,546	–
Less: Amount due for settlement within 12 months (shown under current liabilities)	(175,711)	(60,564)	–
Amount due for settlement after 12 months	<u>163,735</u>	<u>212,982</u>	<u>–</u>

- (i) The loans were denominated in RMB, secured by a charge over the Group’s machinery (note 20), interest bearing at 4.82% per annum, and principal of RMB320,000,000 will be repayable by instalments of each quarterly from 2020 to 2025.
- (ii) The purpose of the loan was solely for the construction of lithium-ion battery manufacturing plant.

The loan was denominated in RMB, unsecured, interest bearing at 1.08% per annum and repayable before 20 November 2020.

40. PROVISIONS

The Group

	Warranties <i>RMB'000</i>
At 1 January 2019	7,057
Addition provisions	32,072
Acquisition of subsidiaries	15,326
Provisions used	<u>(5,780)</u>
At 31 December 2019 and 1 January 2020	48,675
Addition provisions	61,487
Provisions used	<u>(25,335)</u>
At 31 December 2020 and 1 January 2021	84,827
Addition provisions	127,205
Disposal of subsidiaries	(59,768)
Provisions used	<u>(15,868)</u>
At 31 December 2021	<u><u>136,396</u></u>

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The Company

	Warranties <i>RMB'000</i>
At 1 January 2019	7,057
Addition provisions	19,698
Provisions used	<u>(3,731)</u>
At 31 December 2019 and 1 January 2020	23,024
Addition provisions	35,875
Provisions used	<u>(20,059)</u>
At 31 December 2020 and 1 January 2021	38,840
Addition provisions	50,952
Provisions used	<u>(9,025)</u>
At 31 December 2021	<u><u>80,767</u></u>

A provision for warranties is recognised when the underlying products are sold. Under the terms of the Group’s sales agreements, the Group will rectify any product defects arising within predominantly 3 to 8 years from the date of sale. Provision is therefore made for the best estimate of the expected settlement under these agreements in respect of products sold which are still within the warranty period. The amount of provision takes into account the Group’s recent claim experience, historical warranty data and a weighting of all possible outcomes against their associated probabilities.

41. DEFERRED TAX

The Group

Deferred tax liabilities

	Revaluation of assets <i>RMB'000</i>	Fair value change of financial assets at FVTPL <i>RMB'000</i>	Accelerated tax depreciation <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2019	–	–	5,761	5,761
Acquisition of subsidiaries	49,875	–	–	49,875
(Credit)/charge to profit or loss for the year (<i>note 14</i>)	<u>(2,599)</u>	<u>181</u>	<u>(557)</u>	<u>(2,975)</u>
At 31 December 2019 and 1 January 2020	47,276	181	5,204	52,661
(Credit)/charge to profit or loss for the year (<i>note 14</i>)	<u>(4,202)</u>	<u>181</u>	<u>(551)</u>	<u>(4,572)</u>
At 31 December 2020 and 1 January 2021	43,074	362	4,653	48,089
Disposal of subsidiaries	(39,452)	–	–	(39,452)
(Credit)/charge to profit or loss for the year (<i>note 14</i>)	<u>(3,622)</u>	<u>1,693</u>	<u>(551)</u>	<u>(2,480)</u>
At 31 December 2021	<u><u>–</u></u>	<u><u>2,055</u></u>	<u><u>4,102</u></u>	<u><u>6,157</u></u>

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Deferred tax assets

	Tax losses	Allowance	Allowance	Deferred	Others	Total
	<i>RMB’000</i>	<i>on inventory</i>	<i>on trade</i>	<i>revenue</i>	<i>RMB’000</i>	<i>RMB’000</i>
		<i>RMB’000</i>	<i>receivables</i>	<i>RMB’000</i>		<i>RMB’000</i>
			<i>RMB’000</i>	<i>RMB’000</i>		
At 1 January 2019	71,171	5,572	374	14,353	3,110	94,580
Acquisition of subsidiaries	–	21,004	8,687	15,435	9,977	55,103
(Charge)/credit to profit or loss for the year (<i>note 14</i>)	(479)	14,493	5,420	(1,487)	7,190	25,137
At 31 December 2019 and 1 January 2020	70,692	41,069	14,481	28,301	20,277	174,820
(Charge)/credit to profit or loss for the year (<i>note 14</i>)	(4,164)	(30,502)	3,460	(3,537)	7,546	(27,197)
At 31 December 2020 and 1 January 2021	66,528	10,567	17,941	24,764	27,823	147,623
Disposal of subsidiaries	–	(6,107)	(16,251)	(9,613)	(19,094)	(51,065)
(Charge)/credit to profit or loss for the year (<i>note 14</i>)	2,898	2,729	4,967	203,943	51,442	265,979
At 31 December 2021	69,426	7,189	6,657	219,094	60,171	362,537

As at 31 December 2019, 31 December 2020 and 31 December 2021, deferred tax assets of RMB70,692,000, RMB66,528,000 and RMB69,426,000 respectively, were recognised in respect of unused tax losses of RMB464,159,000, RMB423,556,000 and RMB317,717,000 respectively. According to financial forecast, the Directors have exercised their judgement to assess that there will be sufficient future taxable profits available to offset against the unused tax losses. These tax losses at end of each year or period are expected to expire in 2024 to 2029 for 31 December 2019, 2024 to 2030 for 31 December 2020 and 2024 to 2031 for 31 December 2021.

No deferred tax asset has been recognised in respect of tax losses amounted to RMB451,650,000, RMB782,429,000 and RMB480,896,000 as at 31 December 2019, 31 December 2020 and 31 December 2021 respectively due to the unpredictability of future profit streams.

The Company

Deferred tax liabilities

	Fair value change
	of financial assets
	at FVTPL
	<i>RMB’000</i>
At 1 January 2019	–
Charge to profit or loss for the year	–
At 31 December 2019 and 1 January 2020	–
Charge to profit or loss for the year	363
At 31 December 2020 and 1 January 2021	363
Charge to profit or loss for the year	1,693
At 31 December 2021	2,056

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Deferred tax assets

	Tax losses	Allowance	Allowance	Deferred	Others	Total
	<i>RMB’000</i>	<i>on inventory</i>	<i>on trade</i>	<i>revenue</i>	<i>RMB’000</i>	<i>RMB’000</i>
		<i>RMB’000</i>	<i>receivables</i>	<i>RMB’000</i>		<i>RMB’000</i>
			<i>RMB’000</i>	<i>RMB’000</i>		
At 1 January 2019	71,171	5,572	374	843	3,110	81,070
(Charge)/credit to profit of loss for the year	(3,149)	4,341	3,175	249	4,015	8,631
At 31 December 2019 and 1 January 2020	68,022	9,913	3,549	1,092	7,125	89,701
(Charge)/credit to profit or loss for the year	(8,980)	(9,032)	–	152	5,669	(12,191)
At 31 December 2020 and 1 January 2021	59,042	881	3,549	1,244	12,794	77,510
(Charge)/credit to profit or loss for the year	(44,712)	(881)	432	250	33,454	(11,457)
At 31 December 2021	<u>14,330</u>	<u>–</u>	<u>3,981</u>	<u>1,494</u>	<u>46,248</u>	<u>66,053</u>

42. FINANCIAL GUARANTEES

The Company has provided guarantees in respect of bank loans and banking facilities granted to the Company’s subsidiaries and associate. Pursuant to the terms of guarantees, if there are any defaults on the loans or similar balances, the Company is responsible to repay the outstanding principal together with accrued interests and other costs owed by the defaulting subsidiaries to the banks.

The maximum potential liability of the Company at 31 December 2019, 2020 and 2021 under the financial guarantees are the amount of bank loans drawn and other banking facilities utilised by the subsidiaries and associate under the guarantees at that date of RMB200,897,000, RMB587,126,000 and RMB500,000,000 respectively.

The maximum potential liability of the Group at 31 December 2021 under the financial guarantee in respect of bank loan granted to an associate was RMB140,000,000.

43. PUT OPTION LIABILITIES

	The Group and the Company for the year ended 31 December 2021
	<i>RMB’000</i>
At 1 January 2021	–
Issue of puttable equity of subsidiaries – <i>Note</i>	926,620
Changes in fair value during the year	14,512
At 31 December 2021	<u>941,132</u>

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The Group and
the Company
At 31 December
2021
RMB’000

Analysed as:	
Current liabilities	941,132
Non-current liabilities	—
	<hr/>
At 31 December 2021	<u>941,132</u>

During the year ended 31 December 2021, the Company has signed investment agreements containing put options (“**Written Put Option(s)**”) with non-controlling interest shareholders of the Company’s subsidiaries namely, Chengdu Company, Wuhan Company and Hefei Company. The Written Puttable Options give the non-controlling interest shareholders the right to demand that the Company repurchase the equity interests of the subsidiaries held by the non-controlling shareholders within specified periods at the put option exercise prices.

The Company has presented the Written Put Options as financial liabilities (i.e. put-option liabilities) with a corresponding debit entry to equity under reserve relating to the Written Puttable Options. According to the investment agreements, if the Company completes a listing of the Company’s shares on any domestic or foreign stock exchange, the Written Puttable Options will lapse automatically and at that time the related liabilities would be transferred to equity of the Company.

Terms of the Written Put Options and the amounts injected from non-controlling interest shareholders up to 31 December 2021 are set out below:

Subsidiary	Last day of exercise	Repurchase amounts	Amounts injected by non-controlling interest shareholders up to 31 December 2021 RMB’000
Chengdu Company	29 May 2028	The higher of (i) value of equity interest held by non-controlling shareholder as determined by qualified professional valuer and (ii) investment principal paid by non-controlling interest shareholder	175,635
Wuhan Company	15 July 2026	To be determined with reference to valuation assessment of relevant government regulating agency	481,799
Hefei Company	25 September 2028	The highest of (i) the value of equity interest held by non-controlling shareholder as determined by qualified professional valuer and (ii) investment principal paid by non-controlling interest shareholder plus 6% p.a. simple interest	283,698
			<hr/>
			<u>941,132</u>

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Note: The fair value of redemption amounts are estimated by the Directors using the amounts injected by non-controlling shareholders of Chengdu Company, Wuhan Company and Hefei Company, the internal rate of return (“**IRR**”) of respective underlying projects and assuming the non-controlling interest shareholders will exercise the Written Put Options at end of the respective exercisable period. The Directors are of the opinion that the IRR used in the feasibility study of the underlying projects undertaken by Chengdu Company, Wuhan Company and Hefei Company are the best estimate for the purpose of estimating the future redemption amounts payable by the Company. The IRR is ranged approximately from 12% to 13%. When measuring the financial liabilities of the Company and the Group for the Written Put Options, the Company’s discount rate of approximately 10.3% is used.

44. SHARE-BASED PAYMENTS

During the year ended 31 December 2019, the Company approved and adopted a share incentive scheme (“**2019 Share Incentive Scheme**”) involving 6 senior management, namely, Ms. Liu Jingyu, Dr. Pan Fangfang, Mr. Dai Ying, Mr. Geng Yan’an, Mr. Wang Xiaoqiang and Mr. He Fan (collectively, the “**Six Senior Management**”). The purposes of the 2019 Share Incentive Scheme are to retain and incentivise the Six Senior Management in relation to operation targets of a subsidiary, Xiamen Company.

The Six Senior Management have formed a limited company, Xiamen Lihang Equity Investment (“**Share Incentive Vehicle**”). A limited partnership company, Lihang Jinzhi (“**Partnership**”) was formed, and the Share Incentive Vehicle and a related entity of a government shareholder of the Company (“**Jinyuan Industry**”) were required to contribute RMB10 million and RMB1,500 million, respectively to the Partnership. After that, the Partnership has subscribed for registered capital of the Company.

The Partnership has a prescribed operation period of 10 years, and all investment proceeds of it (after deducting expenses and tax), including all distribution, interest and dividend from the Company will be distributed to the Share Incentive Vehicle and the Jinyuan Industry in the following manner:

- (a) Distribute to the Share Incentive Vehicle and the Jinyuan Industry proportionally to their capital contribution of the Partnership until they fully recover their capital contributions to it;
- (b) Any investment proceeds in excess of (a) above will be firstly distributed to the Jinyuan Industry in an amount that represent 6% annual return to its capital contribution to the Partnership;
- (c) 2 years after all legal and regulatory requirements for freely disposing the Partnership’s equity interest in the Company are fulfilled, and after the distributions in (a) and (b) above, the Partnership shall dispose of all its equity interest in the Company. 20% of the net proceeds from the disposal will be distributed to the Share Incentive Vehicle and the remaining 80% will be distributed to the Jinyuan Industry.

The manner of distribution above enables the Six Senior Management to receive possible future cash proceeds, through the Share Incentive Vehicle, that are disproportionate to their share of capital injections into the Partnership and the amount of such future cash proceeds to be received by the Share Incentive Vehicle will depend on many factors including future price of the Company’s equity, vesting date and other factors.

The awards of the 2019 Share Incentive Scheme have been accounted for as equity-settled share-based payment. The management estimate the fair value of the awards and the length of the vesting period at grant date. The date of vesting will need to be re-estimated at each reporting date. The share-based payment expense will be recognised over the vesting period with a corresponding credit to equity of the consolidated statement of financial position as a capital contribution from government shareholder of the Company.

Independent professional valuer was engaged to assist the management to determine the grant date fair value of the awards by binomial tree method with the following assumptions and inputs:

– Vesting date initially estimated	30 July 2027
– Price per each registered capital of the Company	RMB1.02
– Risk free rate	3.69%
– Dividend yield	Nil
– Estimated volatility of return of the Company’s equity	53.72%

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The fair value of the awards at grant date is estimated to be approximately RMB163 million. The following table set out the estimated vesting date adopted at each reporting date and the share-based payment expense charged to the consolidated profit and loss of the Group.

	Estimated vesting date	Share-based payment expense RMB’000
For the year ended 31 December 2019	30 July 2027	8,625
For the year ended 31 December 2020	30 July 2027	20,440
For the year ended 31 December 2021	30 July 2025	29,284

45. SHARE CAPITAL/PAID-IN CAPITAL

	<i>Note</i>	Paid-in capital		
		Year ended 31 December		
		2019	2020	2021
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At the beginning of the year		4,000,000	6,396,732	12,768,773
Capital contribution from owners of the Company	<i>(i)</i>	487,305	–	–
Capital contribution from owners of the Company	<i>(ii)</i>	1,909,427	–	–
Capital contribution from owners of the Company	<i>(iii)</i>	–	599,820	–
Capital contribution from owners of the Company	<i>(iv)</i>	–	5,772,221	–
Reduction of capital and conversion to a joint stock limited company	<i>(v)</i>	–	–	(11,568,773)
Capital contribution from owners of the Company	<i>(vi)</i>	–	–	306,457
At the end of the year		<u>6,396,732</u>	<u>12,768,773</u>	<u>1,506,457</u>

Notes:

- (i) In April 2019, the Company entered into a conditional capital increase agreement with Chengfei Integration, Jinsha Investment and Huake Investment, pursuant to which total capital of approximately RMB487,451,000 was injected into the Company with approximately RMB487,305,000 and RMB146,000 credited to the Company’s paid-in capital and capital reserve, respectively.
- (ii) In July 2019, Lihang Jinzhi, a limited partnership with Xiamen Lihang Equity Investment Management Company Limited (a company owned by the core management team of the Company) being its general partner, agreed to subscribed for the increased registered capital of approximately RMB1,509,547,000 at the consideration of RMB1,510 million. The amount of consideration in excess of the increased registered capital amounted to approximately RMB453,000 was credited to the Company’s capital reserve. In July 2019, Jinyuan Industry, a company ultimately controlled by the Finance Bureau of Xiamen City, agreed to subscribe for the increased registered capital of approximately RMB399,880,000 at the consideration of RMB400 million. The amount of consideration in excess of the increased registered capital amounted to approximately RMB120,000 was credited to the Company’s capital reserve.
- (iii) In January 2020, Jinyuan Investment, a company ultimately controlled by the Finance Bureau of Xiamen City, agreed to subscribe for increased registered capital of approximately RMB599,820,000 at the consideration of RMB600 million. The amount of consideration in excess of the increased registered capital amounted to approximately RMB180,000 was credited to the Company’s capital reserve.

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- (iv) In November 2020, Jinsha Investment agreed to subscribed for increased registered capital of approximately RMB631,497,000 at the consideration of RMB650 million which was settled by Jinsha Investment by capitalising a loan in the amount of RMB650 million owing to it by the Company. The amount of consideration in excess of the increased registered capital amounted to approximately RMB18,503,000 was credited to the Company’s capital reserve.

In November 2020, Huake Engineering, a company ultimately controlled by Jintan SASAC, agreed to subscribe for the increased registered capital of approximately RMB1,049.79 million at the consideration of approximately RMB1,080.55 million, which was settled by Huake Engineering by way of transferring its physical assets, comprising of land, buildings and equipment, to the Company. The amount of consideration in excess of the increased registered capital amounted to approximately RMB30,759,000 was credited to the Company’s capital reserve.

During November to December 2020, a group of [REDACTED] investors subscribed for the total increased registered capital of approximately RMB3,886,136,000 at an aggregate consideration of RMB4,000 million. The amount of consideration in excess of the increased registered capital amounted to approximately RMB113,864,000 was credited to the Company’s capital reserve.

During November to December 2020, a group of Employees Shareholding Platforms subscribed for the total increased registered capital of approximately RMB204,799,000 at an aggregate consideration of RMB210,800,000. The amount of consideration in excess of the increased registered capital amounted to approximately RMB6,001,000 was credited to the Company’s capital reserve.

- (v) On 10 November 2021, the Company converted into a joint stock company with limited liability under the Company Law of the PRC. The net asset of the Company as of the conversion base date, including paid-in capital, safety production fund and accumulated losses, amounting to approximately RMB12,803 million were converted into 1,200,000,000 shares with a nominal value of RMB1.00 each. The excess of net assets converted over nominal value of the ordinary shares was credited to the Company’s capital reserve.
- (vi) In July 2021, Xiaomi Yangtze River Industry agreed to subscribe for increased registered capital of approximately RMB12,000,000 at a consideration of approximately RMB500 million. The amount of consideration in excess of the increased registered capital amounted to approximately RMB488 million was credited to the Company’s capital reserve. The fund of capital increase were received in August 2021 and the registration of equity transfer were completed on 12 November 2021.

In July 2021, Chuanghe Xincai agreed to subscribe for increased registered capital of approximately RMB7,200,000 at a consideration of approximately RMB300 million. The amount of consideration in excess of the increased registered capital amounted to approximately RMB292.8 million was credited to the Company’s capital reserve. The fund of capital increase were received in August 2021 and the registration of equity transfer were completed on 12 November 2021.

During July to August 2021, a group of [REDACTED] Investors agreed to subscribe for increased registered capital of approximately RMB212,158,000 at an aggregate consideration of approximately RMB8,839.9 million. The amount of consideration in excess of the increased registered capital amounted to approximately RMB8,627.74 million was credited to the Company’s capital reserve. The fund of capital increase were received by October 2021 and the registration of equity transfer were completed on 12 November 2021.

In August 2021, Jintan International agreed to subscribe for increased registered capital of approximately RMB24,000,000 at the consideration of approximately RMB1,000 million. The amount of consideration in excess of the increased registered capital amounted to approximately RMB976 million was credited to the Company’s capital reserve. The fund of capital increase were received by December 2021 and the registration of equity transfer were completed on 12 November 2021.

In August 2021, Xiamen Jinli No. 2 agreed to subscribe for increased registered capital of approximately RMB24,000,000 at a consideration of approximately RMB1,000 million. The amount of consideration in excess of the increased registered capital amounted to approximately RMB976 million was credited to the Company’s capital reserve. The fund of capital increase were received in August 2021 and the registration of equity transfer were completed on 12 November 2021.

In September 2021, Changzhou Lihang Kaibo No. 11 agreed to subscribe for increased registered capital of approximately RMB8,642,400 at a consideration of RMB360.10 million. The amount of consideration in excess of the increased registered capital amounted to approximately RMB351.458 million was credited to the Company’s capital reserve. The fund of capital increase were received in September 2021 and the registration of equity transfer were completed on 12 November 2021.

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In October 2021, Shunying Investment, Zhongguancun Guosheng, Aviation Investment, Hongdu Airline and Missile Academy, minority shareholders of Luoyang Company, subscribed for increased registered capital of approximately RMB18,457,000, which was settled by way of transferring their total of 25.63% equity interest in Luoyang Company. The amount of capital contribution in excess of the increased registered capital amounted to approximately RMB750.567 million was credited to the Company’s capital reserve. The registration of equity transfer were completed on 12 November 2021.

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The Group monitors capital on the basis of the debt-to-equity ratio. This ratio is calculated as net debt divided by total equity including non-controlling interests.

Net debt includes loan from a shareholder, loan from a subsidiary of a shareholder, lease liabilities, interest-bearing bank borrowings, other loans, financial guarantees and put option liabilities, less cash and cash equivalents. Adjusted capital comprises all components of the Group’s equity including non-controlling interests. The Group’s policy is to maintain a low debt-to-equity capital ratio and this policy is unchanged. This policy will be reviewed on an annual basis.

	As at 31 December		
	2019 RMB’000	2020 RMB’000	2021 RMB’000
Loan from a shareholder (<i>note 30</i>)	650,260	–	–
Loan from a subsidiary of a shareholder (<i>note 30</i>)	45,907	–	–
Lease liabilities	91,741	10,958	26,751
Bank borrowings	875,829	827,459	2,890,647
Other loans	339,446	273,546	–
Financial guarantees	–	–	12,354
Put option liabilities	–	–	941,132
	<u>2,003,183</u>	<u>1,111,963</u>	<u>3,870,884</u>
Less: Cash and cash equivalents	<u>(445,229)</u>	<u>(1,693,284)</u>	<u>(3,109,518)</u>
Net debt	<u>1,557,954</u>	<u>(581,321)</u>	<u>761,366</u>
Total equity including non-controlling interests	<u>6,065,799</u>	<u>12,608,621</u>	<u>24,986,124</u>
Debt-to-equity ratio	<u>0.26</u>	<u>N/A</u>	<u>0.03</u>

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46. RESERVES

(a) The Group

The amounts of the Group’s reserves and movements therein are presented in the consolidated statements of profit or loss and other comprehensive income and consolidated statements of changes in equity.

(b) Nature and purpose of reserves

(i) Capital reserve

Under PRC rules and regulations, capital reserve is non-distributable other than in liquidation and may be utilised for business expansion or converted into ordinary shares by the issuance of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by the shareholders.

(ii) Merger reserve

Merger reserve represents the difference of consideration paid and the carrying amount of net assets acquired in a combination under common control.

(iii) Safety production fund

Pursuant to certain regulations issued by the Ministry of Finance and the State Administration of Work Safety, the Group is required to set aside from profit after tax an amount to a legal reserve at different rates ranging from 0.05% to 2% of the total revenue recognised for the previous year. The reserve can be utilised for improvements of safety on the manufacturing work, and the amounts are generally expenses in nature and charged to the consolidated statement of profit or loss as incurred, and at the same time the corresponding amounts of safety reserve fund were utilised and transferred back to retained profits until such special reserve was fully utilised.

(iv) Contribution from shareholder

The share-based payments as set out in note 44 are credited as contribution from shareholder.

(v) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with accounting policies set out in note 4(f) to the Historical Financial Information.

(vi) Other reserve

The other reserve represents the share of other comprehensive income of associates.

(c) Movements in components of equity of the Company

	Share capital RMB'000	Capital reserve RMB'000	Contribution from shareholder RMB'000	Safety production fund RMB'000	Other reserve RMB'000	Put option reserve RMB'000	Retained earning RMB'000	Total RMB'000
At 1 January 2019	4,000,000	-	-	-	-	-	(659,227)	3,340,773
Total comprehensive income for the year	-	-	-	-	-	-	(27,333)	(27,333)
Proceeds from paid-in capital (note 45(ii))	1,909,427	573	-	-	-	-	-	1,910,000
Acquisition of subsidiaries (note 47(a))	417,575	125	-	-	-	-	-	417,700
Issue registered capital to acquire a subsidiary under common control	27,684	(7,895)	-	-	-	-	-	19,789

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	Share capital RMB'000	Capital reserve RMB'000	Contribution from shareholder RMB'000	Safety production fund RMB'000	Other reserve RMB'000	Put option reserve RMB'000	Retained earning RMB'000	Total RMB'000
Issue registered capital to acquire non-controlling interests of a subsidiary	42,046	(31,391)	-	-	-	-	-	10,655
Share-based payments (note 44)	-	-	8,625	-	-	-	-	8,625
Changes in equity for the year	2,396,732	(38,588)	8,625	-	-	-	(27,333)	2,339,436
At 31 December 2019	6,396,732	(38,588)	8,625	-	-	-	(686,560)	5,680,209
At 1 January 2020	6,396,732	(38,588)	8,625	-	-	-	(686,560)	5,680,209
Total comprehensive income for the year	-	-	-	-	-	-	118,056	118,056
Proceeds from paid-in capital (note 45(iii) & (iv))	6,372,041	169,306	-	-	-	-	-	6,541,347
Share-based payments (note 44)	-	-	20,440	-	-	-	-	20,440
Safety production fund	-	-	-	5	-	-	(5)	-
Changes in equity for the year	6,372,041	169,306	20,440	5	-	-	118,051	6,679,843
At 31 December 2020	12,768,773	130,718	29,065	5	-	-	(568,509)	12,360,052
At 1 January 2021	12,768,773	130,718	29,065	5	-	-	(568,509)	12,360,052
Total comprehensive income for the year	-	-	-	-	-	-	94,084	94,084
Converted into a joint stock company with limited liability (note 45(v))	(11,568,773)	11,188,346	-	(7)	-	-	380,434	-
Proceeds from paid-in capital (note 45(vi))	288,000	11,702,000	-	-	-	-	-	11,990,000
Increasing shareholding of an associate	18,457	750,567	-	-	-	-	-	769,024
Disposal of subsidiaries	-	-	-	-	(160)	-	(48,663)	(48,823)
Put option liabilities (note 43)	-	-	-	-	-	(926,620)	-	(926,620)
Share-based payments (note 44)	-	-	29,284	-	-	-	-	29,284
Safety production fund	-	-	-	2	-	-	5	7
Changes in equity for the year	(11,262,316)	23,640,913	29,284	(5)	(160)	(926,620)	425,860	11,906,956
At 31 December 2021	1,506,457	23,771,631	58,349	-	(160)	(926,620)	(142,649)	24,267,008

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47. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Acquisition of subsidiaries

On 1 July 2019, the Group had acquired 73.36% equity interest in Luoyang Company, a company incorporated in PRC. Luoyang Company is principally engaged in the design, research and development, manufacturing and sales of EV battery for civil and military industrial use and ESS products. The acquisition is for the purpose of expansion of the Group’s production capacity.

The fair value of the identifiable assets and liabilities of Luoyang Company (including CALB (Beijing)) acquired as at the date of completion, is as follows:

	<i>RMB’000</i>
Net assets acquired:	
Property, plant and equipment	1,788,975
Right-of-use assets	181,754
Intangible assets	210,251
Investments in associates	67,112
Deferred tax assets	55,103
Inventories	594,591
Trade and bills receivables	856,435
Prepayment, deposits and other receivables	170,916
Amount due from Chengfei Integration	1,094,282
Amounts due from related companies	7,775
Amount due from an associate	30,573
Amount due from a joint venture	148
Current tax assets	402
Pledged deposits	159,968
Bank and cash balances	151,223
Trade and bills payables	(1,800,949)
Contract liabilities	(40,812)
Amounts due to related parties	(12,127)
Loans from related parties	(444,510)
Accruals and other payables	(333,351)
Bank borrowings	(633,934)
Provisions	(15,326)
Deferred income	(168,552)
Deferred tax liabilities	(49,875)
	1,870,072
Non-controlling interests	(498,187)
Goodwill (<i>note 22</i>)	140,097
	1,511,982
Satisfied by:	
Cash consideration payable	1,094,282
Share issued	417,700
	1,511,982
Net cash inflow arising on acquisition:	
Cash and cash equivalents acquired	151,223
	151,223

The fair value of trade and bill receivables, prepayment, deposits and other receivables acquired is approximately RMB856,435,000 and RMB170,916,000 respectively. All of the contractual cash flows are expected to be collected in full.

The goodwill arising on the acquisition of Luoyang Company is attributable to the expected synergies of the combination.

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Luoyang Company contributed approximately RMB626,667,000 to the Group’s revenue for the year ended 31 December 2019 for the period from the date of acquisition to 31 December 2019. Luoyang Company incurred approximately RMB105,534,000 to the Group’s loss for the year ended 31 December 2019 for the period from the date of acquisition to 31 December 2019.

(b) Disposal of subsidiaries

On 8 November 2021, the Group disposed of 51% equity interest in Luoyang Company to Jincheng Technology the consideration of RMB1,530 million with corresponding RMB397.8 million compensation to Jincheng Technology determined subsequently. After the disposal, the Group held 23.37% equity interest in Luoyang Company and recognised such interest as investments in associates. Details of the compensation arrangement are set out in note 52(d).

A summary of the effects of the disposal of Luoyang Company (including CALB (Beijing)) at the date of disposal is as follows:

	<i>RMB’000</i>
Property, plant and equipment	2,138,912
Right-of-use assets	171,092
Intangible assets	145,986
Investments in associates	77,089
Deposits paid for acquisition of property, plant and equipment	77,915
Deferred tax assets	51,065
Inventories	877,091
Trade and bill receivables	921,257
Prepayments, deposits and other receivables	91,110
Amounts due from related parties	101,373
Pledged bank deposits	167,238
Bank and cash balances	177,355
Trade and bill payables	(1,166,906)
Accruals and other payables	(160,840)
Amounts due to related parties	(1,573,410)
Contract liabilities	(16,071)
Bank borrowings	(308,398)
Provisions	(59,768)
Deferred income	(107,925)
Deferred tax liabilities	(39,452)
	<hr/>
Net assets disposed of	1,564,713
Non-controlling interests	(401,036)
Goodwill	140,097
Retained interest in associate	(518,814)
Gain on disposal of subsidiaries (<i>note 11</i>)	347,240
	<hr/>
Total consideration (net of compensation)	1,132,200
	<hr/> <hr/>
Satisfied by:	
Cash consideration received	153,000
Amount due from Jincheng Technology (<i>note 30</i>)	979,200
	<hr/>
	1,132,200
	<hr/> <hr/>
Net cash outflow arising on disposal:	
Cash consideration received	153,000
Cash and cash equivalents disposed of	(177,355)
	<hr/>
	(24,355)
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(c) Major non-cash transaction

During the year ended 31 December 2020, the loan from a shareholder amounting RMB650 million have been converted into paid-in capital of the Company.

During the year ended 31 December 2020, the physical assets, comprising of land, buildings and equipment, amounting RMB1,080.55 million have been transferred as capital injection to the Company from Huake Engineering.

(d) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group’s liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group’s consolidated statement of cash flows as cash flows from financing activities.

	1 January 2019 RMB'000	Cash flows RMB'000	Inception of leases RMB'000	Interest expenses (note 13) RMB'000	Acquisition of subsidiaries (note 47(a)) RMB'000	31 December 2019 RMB'000
Loans from subsidiary of a shareholder (note 30)	-	39,221	-	6,686	-	45,907
Lease liabilities (note 37)	-	(11,571)	101,145	2,167	-	91,741
Bank borrowing (note 38)	-	222,591	-	19,304	633,934	875,829
Other loans (note 39)	-	334,336	-	5,110	-	339,446
Loan from a shareholder (note 30)	650,260	(7,908)	-	7,908	-	650,260
	<u>650,260</u>	<u>576,669</u>	<u>101,145</u>	<u>41,175</u>	<u>633,934</u>	<u>2,003,183</u>

	1 January 2020 RMB'000	Cash flows RMB'000	Inception of leases RMB'000	Interest expenses (note 13) RMB'000	Early termination of lease and rent concession RMB'000	Re- classification RMB'000	31 December 2020 RMB'000
Loan from a subsidiary of a shareholder (note 30)	45,907	(47,019)	-	1,112	-	-	-
Lease liabilities (note 37)	91,741	(28,112)	16,743	2,552	(71,966)	-	10,958
Bank borrowing (note 38)	875,829	(79,442)	-	31,072	-	-	827,459
Other loans (note 39)	339,446	(81,704)	-	15,804	-	-	273,546
Loan from a shareholder (note 30)	650,260	(7,085)	-	6,825	-	(650,000)	-
	<u>2,003,183</u>	<u>(243,362)</u>	<u>16,743</u>	<u>57,365</u>	<u>(71,966)</u>	<u>(650,000)</u>	<u>1,111,963</u>

	1 January 2021 RMB'000	Cash flows RMB'000	Inception of leases RMB'000	Interest expenses (note 13) RMB'000	Disposal of Subsidiaries (note 47(b)) RMB'000	Non Cash transactions RMB'000	31 December 2021 RMB'000
Lease liabilities (note 37)	10,958	(327)	21,297	695	-	(5,872)	26,751
Bank borrowing (note 38)	827,459	2,290,467	-	81,119	(308,398)	-	2,890,647
Other loans (note 39)	273,546	(248,263)	-	6,717	-	(32,000)	-
	<u>1,111,963</u>	<u>2,041,877</u>	<u>21,297</u>	<u>88,531</u>	<u>(308,398)</u>	<u>(37,872)</u>	<u>2,917,398</u>

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(e) **Total cash outflow for leases**

Amounts included in the consolidated statements of cash flows for leases comprise the following:

	Year ended 31 December		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within operating cash flows	3,033	10,686	22,723
Within investing cash flows	156,715	12,259	267,869
Within financing cash flows	9,405	25,560	222
	<u>169,153</u>	<u>48,505</u>	<u>290,814</u>

These amounts relate to the following:

	Year ended 31 December		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Lease rental paid	12,438	36,246	22,945
Payments for right-of-use assets	156,715	12,259	267,869
	<u>169,153</u>	<u>48,505</u>	<u>290,814</u>

48. CONTINGENT LIABILITIES

- (a) During the Track Record Period, the Group endorsed certain bills receivables for the settlement of trade and other payables. The outstanding endorsed bills receivables are generally with maturities no more than 12 months. In the opinion of the directors of the Company, the Group has transferred the significant risks and rewards relating to these bills receivables, and the Group’s obligations to the corresponding counterparties were discharged in accordance with the commercial practice in the PRC and the risk of default in payment of the endorsed bills receivables is low because such endorsed bills receivables are issued and guaranteed by reputable PRC banks. As a result, the relevant assets and liabilities were derecognised on the consolidated financial statements. The maximum exposure to the Group that may result from the default of these endorsed bills receivables as at 31 December 2019, 2020 and 2021 are as follows:

	As at 31 December		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Endorsed bills for settlement of trade and other payables	<u>93,865</u>	<u>25,131</u>	<u>111,950</u>

- (b) During July 2021 to September 2021, Contemporary Amperex Technology Co. Limited (“CATL”) has brought certain intellectual property (“IP”) infringement claims (the “Claims”) against the Company, and petitioned for total damages of RMB185 million, legal cost of RMB3 million and immediately stop infringing the relevant IP. After assessment, the Directors are of the view that the Claims are lacking in merit and it is not probable that an outflow of economic benefits will be required to settle the cases.

Save as disclosed above, the Group had no other material contingent liabilities as at 31 December 2021.

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49. CAPITAL COMMITMENTS

Commitments contracted for at the end of the respective reporting periods but not yet incurred are as follows:

	As at 31 December		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Property, plant and equipment	1,195,253	2,469,278	16,857,495
Intangible assets	1,821	8,492	37,492
Capital contribution to associates	52,000	–	–
	<u>1,249,074</u>	<u>2,477,770</u>	<u>16,894,987</u>

50. OPERATING LEASE ARRANGEMENTS

The Group as lessee

The Group regularly entered into short-term leases for office equipment, staff quarters, office premise, factories, motor vehicles and warehouses. As at 31 December 2019, 31 December 2020 and 31 December 2021, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in note 21.

As at 31 December 2019, 31 December 2020 and 31 December 2021, the outstanding lease commitments relating to these short-term leases are RMB2,857,000, RMB3,742,000 and RMB1,071,000 respectively.

The Group as lessor

Operating leases relate to property owned by the Group with lease terms of 3 years. The lessee does not have an option to purchase the property at the expiry of the lease period.

Minimum lease payments receivable on leases are as follows:

	As at 31 December		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	1,593	797	–
In the second year	797	–	–
Total	<u>2,390</u>	<u>797</u>	<u>–</u>

The following table presents the amounts reported in profit or loss:

	Year ended 31 December		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Lease income on operating leases	<u>797</u>	<u>1,593</u>	<u>–</u>

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51. RELATED PARTY TRANSACTIONS

- (a) Names and relationships of the related parties that had material transactions and balances with the Group during the Track Record Period:

Name of party	Relationship
常州金沙科技投資有限公司 Changzhou Jinsha Technology Investment Co., Ltd.* (“ Jinsha Investment ”)	Shareholder
常州華科工程建設有限公司 Changzhou Huake Engineering Construction Co., Ltd.* (“ Huake Engineering ”)	Shareholder [#]
中航鋰電(洛陽)有限公司 China Lithium Battery Technology (Luoyang) Co., Ltd.* (“ Luoyang Company ”)	Associate
上海央邁動力技術有限公司 CADMA Drivetrain Tec Co., Ltd.* (“ Shanghai Yangmai ”)	Joint venture
常州金沙資金管理有限公司 Changzhou Jinsha Capital Management Co., Ltd.* (“ Jinsha Capital Management ”)	Entity controlled by shareholders of the Company
江蘇金壇金城科技產業發展有限公司 Jiangsu Province Jintan Jincheng Technology Industry Development Co., Ltd.* (“ Jincheng Technology ”)	Entity controlled by shareholders of the Company
江蘇城東建設工程有限公司 Jiangsu Chengdong Construction Projects Co., Ltd.* (“ Jiangsu Chengdong Construction ”)	Entity controlled by shareholders of the Company
江蘇城東信息科技有限公司 Jiangsu Chengdong Information Technology Co., Ltd.* (“ Jiangsu Chengdong Information ”)	Entity controlled by shareholders of the Company
常州市金壇區東鋰新能源科技發展有限公司 Changzhou City Jintan District Dongli New Energy Technology Development Co., Ltd.* (“ Dongli New Energy Technology ”)	Entity controlled by shareholders of the Company
江蘇金壇華羅庚科技產業發展有限公司 Jiangsu Jintan Hualuogeng Technology Industry Development Co., Ltd.* (“ Jintan Hualuogeng ”)	Entity controlled by shareholders of the Company
廈門金圓投資集團有限公司 Xiamen Jinyuan Industry Investment Group Company Limited* (“ Jinyuan Investment ”)	Entity controlled by shareholders of the Company
中航鋰電(廈門)科技有限公司 CALB (Xiamen) Co., Ltd.* (“ Xiamen Company ”)	Subsidiary
中創新航技術研究院(江蘇)有限公司 CALB Technology Co., Ltd.* (“ Jiangsu Research Institute ”)	Subsidiary
中創新航科技(江蘇)有限公司 CALB (Jiangsu) Co., Ltd.* (“ Jiangsu Company ”)	Subsidiary

* The official names of these entities are in Chinese. The English translation of the names are for identification purpose only.

[#] [Huake Engineering was a subsidiary of a shareholder before 15 December 2020.]

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- (b) In addition to those related party transactions and balances disclosed elsewhere in the Historical Financial Information, the Group had the following material transactions with its related parties during the Track Record Period:

	Year ended 31 December		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Revenue from sales of goods to			
– CALB USA	28,858	41,202	51,650
– Luoyang Company	117,392	–	32,640
Entrusted processing services from			
– Luoyang Company	–	–	206,704
Purchase of goods and services from			
– Luoyang Company	–	–	49,454
Purchase of intangible assets from			
– Luoyang Company	–	–	323,921
Purchase of property, plant and equipment from			
– Luoyang Company	–	–	12,887
Disposal of property, plant and equipment to			
– Luoyang Company	–	–	88,422
Proceeds from disposal of 51% equity interest in			
Luoyang Company to			
– Jincheng Technology	–	–	1,132,200
Rental fee income from			
– Huake Engineering	–	–	3,793
Rental fee charged by			
– Huake Engineering	18,088	28,589	137
– Jiangsu Chengdong Construction	–	979	5,872
Interest expenses on loans from related parties			
– Jinsha Capital Management	3,543	1,112	–
– Jinsha Investment	7,908	6,825	–
– Jintan Hualuogeng	3,143	–	–
Construction fees charged by			
– Jiangsu Chengdong Construction	–	–	1,058,911
– Jiangsu Chengdong Information	–	–	398

In December 2021, Luoyang Company had caused its trade receivables due from external customers of approximately RMB188,907,000 being novated to the Group for the same amount of trade payables owed to the Group by Luoyang Company. After the novation, the Group shall collect the trade receivables directly from those original external customers of Luoyang Company. The abovementioned novated trade receivables are included in the amounts disclosed in note 28.

Since March 2021, Jinyuan Investment has been providing financial guarantee to a subsidiary of the Group, Xiamen Company in favour of a group of 6 banks, to guarantee the payment obligation of 80% principal amount (being RMB2,000 million) of a loan in the principal amount of RMB2,500 million for a term of 8 years. The guarantee period of Jinyuan Investment took effective from the date of entering into the guarantee agreement to three years after the expiration of repayment obligation by Xiamen Company under the loan agreement.

- (c) Balances with related parties

Details of the Group’s balances with related parties at the end of each of the Track Record Periods are disclosed in note 30 to the Historical Financial Information.

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- (d) The remuneration of directors, supervisors and other members of senior management during the Track Record Period was as follows:

	Salaries, bonus and allowances RMB’000	Equity-settled share-based payments RMB’000	Retirement benefit scheme contributions RMB’000	Total RMB’000
Dr. Pan Fangfang (潘芳芳博士) (note (ii))	1,135	1,725	30	2,890
Mr. Dai Ying (戴穎先生) (note (iii))	656	1,294	19	1,969
Mr. Geng Yan’an (耿言安先生) (note (iv))	951	1,294	46	2,291
Mr. Wang Xiaoqiang (王小強先生) (note (vi))	727	431	7	1,165
Mr. He Fan (何凡先生) (note (vii))	1,045	431	37	1,513
Mr. Xie Qiu (謝秋先生) (note (viii))	1,028	–	30	1,058
Directors and supervisors as disclosed in note 17(a)	3,536	3,450	54	7,040
Total for year ended 31 December 2019	9,078	8,625	223	17,926

	Salaries, bonus and allowances RMB’000	Equity-settled share-based payments RMB’000	Retirement benefit scheme contributions RMB’000	Total RMB’000
Dr. Pan Fangfang (潘芳芳博士) (note (ii))	3,045	4,088	8	7,141
Mr. Geng Yan’an (耿言安先生) (note (iv))	2,672	3,066	45	5,783
Ms. Gao Yan (高豔女士) (note (v))	1,655	–	3	1,658
Mr. Wang Xiaoqiang (王小強先生) (note (vi))	1,547	1,022	6	2,575
Mr. He Fan (何凡先生) (note (vii))	1,260	1,022	9	2,291
Mr. Xie Qiu (謝秋先生) (note (viii))	1,152	–	8	1,160
Directors and supervisors as disclosed in note 17(a)	8,260	11,242	22	19,524
Total for year ended 31 December 2020	19,591	20,440	101	40,132

	Salaries, bonus and allowances RMB’000	Equity-settled share-based payments RMB’000	Retirement benefit scheme contributions RMB’000	Total RMB’000
Dr. Pan Fangfang (潘芳芳博士) (note (ii))	3,060	5,857	32	8,949
Mr. Geng Yan’an (耿言安先生) (note (iv))	2,692	4,393	57	7,142
Ms. Gao Yan (高豔女士) (note (v))	1,910	–	39	1,949
Mr. Wang Xiaoqiang (王小強先生) (note (vi))	1,554	1,464	7	3,025
Mr. He Fan (何凡先生) (note (vii))	1,266	1,464	36	2,766
Mr. Xie Qiu (謝秋先生) (note (viii))	1,178	–	32	1,210
Directors and supervisors as disclosed in note 17(a)	8,173	16,107	97	24,377
Total for year ended 31 December 2021	19,833	29,285	300	49,418

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Notes:

- (i) The amounts disclosed above represent remuneration paid or payable to the directors and other members of senior management of the Company as key management personnel of the Group’s entities.
- (ii) Pan Fangfang was appointed as vice general manager on 5 September 2019.
- (iii) Dai Ying was appointed as vice general manager on 3 April 2019 and appointed as a director on 2 December 2020. Mr. Dai was designated as an executive director on 10 December 2021.
- (iv) Geng Yan’an was appointed as vice general manager on 6 August 2018.
- (v) Gao Yan was appointed as vice general manager on 25 April 2020.
- (vi) Wang Xiaoqiang was appointed as vice general manager on 15 November 2021.
- (vii) He Fan was appointed as vice general manager on 15 November 2021.
- (viii) Xie Qiu was appointed as vice general manager on 15 November 2021.

52. EVENTS AFTER THE REPORTING PERIOD

- (a) In January 2022, the Company entered into investments agreements in relation to the establishment of production base projects in Jiangmen city, Guangdong province. The Company shall have 51% equity interest in the project company and has related capital commitment of RMB5,100 million in phase one and an additional capital commitment of RMB5,100 million in phase two.
- (b) In January 2022, the Company entered into investments agreements in relation to the establishment of battery materials production base project in Meishan city, Sichuan province. The Company shall have 100% equity interest in the project company and has related capital commitment of RMB1,800 million.
- (c) In February 2022, the Company entered into investments agreements in relation to the establishment of production base projects in Xiamen city, Fujian province. The Company shall have 51% equity interest in the project company and has related capital commitment of RMB2,550 million in phase one, RMB5,100 million in phase two and RMB2,550 million in phase three.
- (d) On 31 December 2021, Luoyang Company entered into entrusted processing framework agreement with the Company that would affect Luoyang Company’s financial forecast. On [●] 2022, Jintan Group entered into Non-Competition Agreement which resulted in material change in the operation mode and profit forecast of Luoyang Company, and reaffirming the financial impact implied by the entrusted processing framework agreement. Considering the impact of the Non-Competition Agreement, on 2 March 2022, the Company and Jincheng Technology entered into a supplemental agreement in respect of the 51% equity interests of Luoyang Company disposed by the Company to Jincheng Technology in November 2021, pursuant to which, the Company agreed to compensate Jincheng Technology in the amount of RMB397.8 million (being the difference between the market valuation of Luoyang Company at 31 December 2020 and the valuation of Luoyang Company as of 31 December 2021 multiply by 51%) (the “**Compensation Arrangement**”). Regulatory approvals by relevant state-owned assets supervision and administration department were required for the aforementioned disposal as well as the related compensation payment. The Compensation Arrangement is an adjusting event after the reporting date, as that is equivalent to proceeds from disposal of assets being determined after reporting date based on circumstances and information available on or before the end of reporting period.
- (e) On March 3, 2022, the Company entered into equity transfer agreement with Jinhang Holding, pursuant to which the Company agreed to sell and Jinhang Holding agreed to purchase the Company’s remaining 49% of equity interests in Luoyang Company at a consideration of RMB[1,087.8 million]. [The disposal is expected to result in gain [loss] on disposal of associate of approximately RMB[●].]

Save as disclosed above, the Group had no other material event after the reporting period as at 31 December 2021.

53. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Company and its subsidiaries in respect of any period subsequent to 31 December 2021 and up to the date of this report.

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C. ADDITIONAL FINANCIAL INFORMATION OF LUOYANG COMPANY

The following is the financial information of China Lithium Battery Technology (Luoyang) Co., Ltd.* (中航鋰電(洛陽)有限公司) (“Luoyang Company”) for the period from 1 January 2019 to 30 June 2019 before it became a non-wholly owned subsidiary of the Company upon completion of Luoyang Acquisition as set out in Note 2 of Section B of the Accountant’s Report.

STATEMENT OF PROFIT OR LOSS OF LUOYANG COMPANY

	<i>Note</i>	For the period from 1 January 2019 to 30 June 2019 RMB’000
Revenue	3	311,019
Cost of sales		<u>(231,765)</u>
Gross profit		79,254
Other income	4	968
Other gains and (losses), net	5	(23,013)
Government grants and subsidies		21,043
Selling expenses		(17,977)
Administrative expenses		(44,700)
Research and development expenses		(33,519)
Reversal of impairment loss on trade and bills receivables		14,442
Reversal of impairment loss on prepayments, deposits and other receivables		<u>126</u>
Loss from operations		(3,376)
Finance costs	7	(30,472)
Share of losses of associates		<u>(644)</u>
Loss before tax		(34,492)
Income tax credit	8	<u>7,250</u>
Loss for the period	9	<u><u>(27,242)</u></u>

* The English translation name is for identification purpose only. The official name of the entity is in Chinese.

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF LUOYANG COMPANY

	<i>Note</i>	For the period from 1 January 2019 to 30 June 2019 RMB’000
Loss for the period		(27,242)
Other comprehensive expense:		
Share of comprehensive expense of associates		(164)
Other comprehensive expense for the period, net of tax		(164)
Total comprehensive expense for the period		<u>(27,406)</u>

STATEMENT OF FINANCIAL POSITION OF LUOYANG COMPANY

	<i>Note</i>	As at 30 June 2019 RMB’000
Non-current assets		
Property, plant and equipment	12	1,747,681
Right-of-use assets	13	109,345
Intangible assets	14	23,747
Investments in associates	15	51,996
Investment in a joint venture	16	–
Investments in subsidiaries	17	1,134,282
Deposits paid for acquisition of property, plant and equipment	20	79,480
Deferred tax assets	33	52,462
		<u>3,198,993</u>
Current assets		
Inventories	18	592,915
Trade and bills receivables	19	825,128
Prepayments, deposits and other receivables	20	47,612
Amounts due from related companies	21	6,205
Amounts due from subsidiaries	21	32,781
Amount due from an associate	21	30,573
Amount due from a joint venture	21	148
Amount due from the ultimate holding company	21	1,570

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	<i>Note</i>	As at 30 June 2019 RMB’000
Current tax assets		302
Pledged bank deposits	22 (a)	159,968
Bank and cash balances	22 (b)	<u>147,401</u>
		<u>1,844,603</u>
Current liabilities		
Trade and bills payables	23	570,152
Accruals and other payables	24	174,211
Contract liabilities	25	40,408
Bank borrowings	26	263,556
Loans from related companies	27	301,970
Loan from a subsidiary	28	103,389
Loan from the ultimate holding company	29	8,040
Amount due to related companies	30	12,127
Amount due to subsidiaries	30	1,278,509
Provisions	31	<u>15,326</u>
		<u>2,767,688</u>
Net current liabilities		<u>(923,085)</u>
Total assets less current liabilities		<u>2,275,908</u>
Non-current liabilities		
Bank borrowings	26	370,378
Loan from the ultimate holding company	29	134,500
Deferred income	32	168,552
Deferred tax liability	33	<u>31,724</u>
		<u>705,154</u>
NET ASSETS		<u>1,570,754</u>
Capital and reserves		
Equity attributable to owners of the Company		
Paid-up capital	34	990,867
Reserves		<u>579,887</u>
TOTAL EQUITY		<u>1,570,754</u>

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STATEMENT OF CHANGES IN EQUITY OF LUOYANG COMPANY

	Paid-in capital (Note 34) RMB’000	Capital Reserve RMB’000	Safety production fund RMB’000	Statutory Reserve RMB’000	Other Reserve RMB’000	Accumulated losses RMB’000	Total RMB’000
At 1 January 2019	<u>990,867</u>	<u>1,013,313</u>	<u>1,157</u>	<u>68,885</u>	<u>468</u>	<u>(476,530)</u>	<u>1,598,160</u>
Total comprehensive income for the year	-	-	-	-	(164)	(27,242)	(27,406)
Safety production fund	-	-	465	-	-	(465)	-
Changes in equity for the period	<u>-</u>	<u>-</u>	<u>465</u>	<u>-</u>	<u>(164)</u>	<u>(27,707)</u>	<u>(27,406)</u>
At 30 June 2019	<u>990,867</u>	<u>1,013,313</u>	<u>1,622</u>	<u>68,885</u>	<u>304</u>	<u>(504,237)</u>	<u>1,570,754</u>

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STATEMENT OF CASH FLOWS OF LUOYANG COMPANY

	<i>Note</i>	For the period from 1 January 2019 to 30 June 2019 RMB’000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax		(34,492)
Adjustments for:		
Depreciation of property, plant and equipment	<i>12</i>	68,835
Depreciation of right-of-use assets	<i>13</i>	1,381
Amortisation of intangible assets	<i>14</i>	1,576
Share of losses of associates		644
Government grants and subsidies		(15,021)
Allowance for inventories	<i>5</i>	22,266
Reversal of allowance for trade receivables		(14,442)
Reversal of allowance for other receivables		(126)
Net gain on disposals of property, plant and equipment	<i>5</i>	(59)
Interest income	<i>4</i>	(794)
Finance costs	<i>7</i>	30,472
		<hr/>
Operating profit before working capital changes		60,240
Increase in inventories		(298,595)
Increase in trade and bills receivables		(13,535)
Increase in prepayments, deposits and other receivables		(14,453)
Increase in amounts due from subsidiaries		(32,781)
Decrease in amount due from an associate		23,862
Increase in trade and bills payables		421,418
Decrease in accruals and other payables		(381,240)
Increase in provisions		4,233
Increase in contract liabilities		40,408
		<hr/>
Net cash used in operating activities		<u><u>(190,443)</u></u>

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	<i>Note</i>	For the period from 1 January 2019 to 30 June 2019 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received		794
Deposits paid for acquisition of property, plant and equipment		(18,555)
Purchase of property, plant and equipment		(11,166)
Proceeds from disposals of property, plant and equipment		78
Government grants received related to assets	32	1,608
Decrease in amounts due from related companies		244
Increase in amounts due from the ultimate holding company		(1,184)
Decrease in pledged deposits		(81,191)
		<hr/>
Net cash used in investing activities		(109,372)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of bank borrowings		(341,980)
Repayment of loans from related companies		(48,093)
Repayment of loan from a subsidiary		(146,619)
Repayment of loan from the ultimate holding company		(4,000)
Increase in amount due to subsidiaries		525,094
Increase in amount due to related companies		27
Interest paid		(30,472)
		<hr/>
Net cash used in financing activities		(46,043)
		<hr/>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(345,858)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		493,423
		<hr/>
Effect of foreign exchange rate changes		(164)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		147,401
		<hr/> <hr/>
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balance		147,401
		<hr/> <hr/>

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NOTES TO THE HISTORICAL FINANCIAL INFORMATION OF LUOYANG COMPANY

1. GENERAL INFORMATION

Luoyang Company is a limited liability company and was incorporated in the PRC (the “PRC”) on 14 September 2009. The registered office and the address of its principal place of business is No.66 Binhe North Road, High-tech Development Zone, Luoyang City, PRC.

Luoyang Company has been engaging in the design, research and development, production and sales of EV battery for civil and military industrial use and ESS products.

On 1 January 2019, Luoyang Company was 63.98% owned by Chengfei Integration. On April 22, 2019, Chengfei Integration agreed to transfer its 45% equity interests in Luoyang Company to the Company. On the same day, Chengfei Integration and Jinsha Investment agreed to transfer 18.98% and 9.38% of their respective equity interests in Luoyang Company to the Company and therefore Luoyang Company became 73.36% owned by the Company as at 30 June 2019.

2. BASIS OF PREPARATION

[The financial information of Luoyang Company for the period from 1 January 2019 to 30 June 2019 has been prepared in accordance with IFRSs issued by IASB under historical cost convention and in accordance with the accounting policies of the Group presented on the basis set out in Note 4 of Section B except for those accounting policies related to consolidation.]

3. REVENUE

	For the period from 1 January 2019 to 30 June 2019 RMB’000
Revenue from contracts with customers within the scope of IFRS 15	
Sales of EV battery	213,731
Sales of ESS products	80,938
Others	16,350
	311,019
	311,019

4. OTHER INCOME

	For the period from 1 January 2019 to 30 June 2019 RMB’000
Interest income on bank deposits	794
Penalty income from suppliers	168
Others	6
	968
	968

5. OTHER GAINS AND (LOSSES), NET

	For the period from 1 January 2019 to 30 June 2019 RMB’000
Allowance for inventories	(22,266)
Net foreign exchange losses	(806)
Net gain on disposals of property, plant and equipment	59
	(23,013)
	(23,013)

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6. SEGMENT INFORMATION

Luoyang Company has mainly carried on a single business in a single geographical location, which is mainly the design, research and development, production and sales of EV battery for civil and military industrial use and ESS products in the PRC, and all the assets are substantially located in the PRC. Accordingly, there is only one single business reportable segment which is regularly reviewed by the chief operating decision maker.

Revenue from major customers:

	For the period from 1 January 2019 to 30 June 2019 RMB’000
Customer C	87,500
CALB USA	49,647

7. FINANCE COSTS

	For the period from 1 January 2019 to 30 June 2019 RMB’000
Interest on bank borrowings	17,995
Interest on loans from fellow subsidiaries	8,451
Interest on loan from a subsidiary	3,238
Interest on loan from the ultimate holding company	788
Total borrowing costs	30,472

8. INCOME TAX CREDIT

Income tax credit has been recognised in profit or loss as follows:

	For the period from 1 January 2019 to 30 June 2019 RMB’000
Current tax – the PRC	
Provision for the period	–
Deferred tax (<i>note 33</i>)	8,141
	8,141
Withholding tax	(891)
	7,250

Luoyang Company has been approved as high and new technology enterprises and were entitled to a reduced EIT rate of 15%. The high and new technology enterprises certificates need to be renewed every three years so as to enable Luoyang Company to enjoy the reduced EIT rate of 15%.

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The reconciliation between the income tax credit and the product of loss before tax multiplied by the CIT rate is as follows:

	For the period from 1 January 2019 to 30 June 2019 RMB’000
Loss before tax	(34,492)
Tax at the PRC Enterprise Income Tax rate of 15%	(5,174)
Tax effect of expenses that are not deductible	968
Tax effect of super deduction of qualified research and development expenditure	(3,693)
Tax effect of temporary differences not recognised	262
Tax effect of utilisation of tax losses not previously recognised	(504)
Tax effect of withholding tax	891
Income tax credit	<u>(7,250)</u>

9. LOSS FOR THE PERIOD

Luoyang Company’s loss for the period from 1 January 2019 to 30 June 2019 is stated after charging the following:

	For the period from 1 January 2019 to 30 June 2019 RMB’000
Amortisation of intangible assets (<i>note 14</i>)	1,576
Cost of inventories sold	231,765
Depreciation of property, plant and equipment (<i>note 12</i>)	68,835
Depreciation of right-of-use assets (<i>note 13</i>)	1,381
Expenses relating to short-term lease (included in cost of sales, selling expenses and administrative expenses)	413
Expenses relating to lease of low value assets (included in cost of sales, selling expenses and administrative expenses)	185
	<u>185</u>

10. EMPLOYEE BENEFITS EXPENSES

	For the period from 1 January 2019 to 30 June 2019 RMB’000
Employee benefits expense (including Directors’ emoluments):	
Salaries, bonuses and allowances	64,419
Retirement benefit scheme contributions	7,010
	<u>71,429</u>

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11. DIVIDENDS

No dividend has been paid or proposed during the period from 1 January 2019 to 30 June 2019.

12. PROPERTY, PLANT AND EQUIPMENT

	Building <i>RMB'000</i>	Machinery <i>RMB'000</i>	Computer equipment <i>RMB'000</i>	Furniture and office equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Leasehold improvement <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
At 31 December 2018 and 1 January 2019								
Cost	1,005,075	818,583	27,139	13,251	4,653	76	390,376	2,259,153
Accumulated depreciation and impairment	(132,207)	(283,395)	(22,325)	(11,730)	(4,059)	(68)	–	(453,784)
Net carrying amount	872,868	535,188	4,814	1,521	594	8	390,376	1,805,369
At 1 January 2019, net of accumulated depreciation and impairment								
	872,868	535,188	4,814	1,521	594	8	390,376	1,805,369
Additions	–	499	–	79	–	–	10,588	11,166
Depreciation provided during the period	(18,040)	(49,202)	(1,041)	(423)	(129)	–	–	(68,835)
Disposals	–	–	–	(2)	(17)	–	–	(19)
Transfer	–	387,623	–	–	–	–	(387,623)	–
At 30 June 2019, net of accumulated depreciation and impairment								
	854,828	874,108	3,773	1,175	448	8	13,341	1,747,681
At 30 June 2019								
Cost	1,005,075	1,206,705	27,139	13,329	4,317	76	13,341	2,269,982
Accumulated depreciation and impairment	(150,247)	(332,597)	(23,366)	(12,154)	(3,869)	(68)	–	(522,301)
Net carrying amount	854,828	874,108	3,773	1,175	448	8	13,341	1,747,681

As at 30 June 2019, the carrying amount of property, plant and equipment pledged as security for Luoyang Company’s loan from a fellow subsidiary amounted to RMB207,738,000 (note 27).

As at 30 June 2019, Luoyang Company was still in the process of obtaining property ownership certificates for certain buildings with a net carrying amount of RMB290,215,000.

13. RIGHT-OF-USE ASSETS

	Leasehold lands <i>RMB'000</i>
At 1 January 2019 upon adoption of IFRS 16	110,726
Depreciation	(1,381)
At 30 June 2019	<u>109,345</u>

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14. INTANGIBLE ASSETS

	Computer Software <i>RMB'000</i>	Trademark <i>RMB'000</i>	Patent <i>RMB'000</i>	Development costs <i>RMB'000</i>	Total <i>RMB'000</i>
Cost					
At 1 January 2019	10,662	39	20,130	5,563	36,394
Transfer	–	–	1,309	(1,309)	–
	<u>10,662</u>	<u>39</u>	<u>21,439</u>	<u>4,254</u>	<u>36,394</u>
At 30 June 2019	<u>10,662</u>	<u>39</u>	<u>21,439</u>	<u>4,254</u>	<u>36,394</u>
Accumulated amortisation and impairment					
At 1 January 2019	4,623	18	6,430	–	11,071
Charge for the period	533	2	1,041	–	1,576
Impairment	–	–	–	–	–
	<u>5,156</u>	<u>20</u>	<u>7,471</u>	<u>–</u>	<u>12,647</u>
At 30 June 2019	<u>5,156</u>	<u>20</u>	<u>7,471</u>	<u>–</u>	<u>12,647</u>
Carrying amount					
At 30 June 2019	<u><u>5,506</u></u>	<u><u>19</u></u>	<u><u>13,968</u></u>	<u><u>4,254</u></u>	<u><u>23,747</u></u>

Computer software has finite useful life. The computer software is stated at cost less accumulated amortisation and any impairment losses, and is amortised on the straight-line basis over its estimated useful life of 10 years.

Trademarks have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated on a straight-line basis over their estimated useful life of 10 years.

Patents have finite useful lives and is amortised on a straight-line basis over its estimated useful life of not more than 10 years.

The average remaining amortisation period (in years) for Luoyang Company’s intangible assets at end of reporting periods are:

	As at 30 June 2019 <i>(years)</i>
Computer software	6.1
Trademarks	4.9
Patents	6.8

15. INVESTMENTS IN ASSOCIATES

	As at 30 June 2019 <i>RMB'000</i>
Unlisted investments:	
Share of net assets	<u><u>51,996</u></u>

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As at 30 June 2019, details of Luoyang Company’s associates using equity method are as follows:

Name	Place of incorporation and operations	Particulars of paid up/ registered capital	Percentage of equity interest attributable to Luoyang Company	Principal activities
Cangzhou Mingzhu	The PRC	RMB118,400,000	As at 30 June 2019: 10%	Manufacturing and sales of battery diaphragm
CALB USA	The USA	US\$100,000	As at 30 June 2019: 40%	Sales of lithium-ion battery
Shanghai Fanneng	The PRC	RMB4,846,000	As at 30 June 2019: 25%	Development and consultancy services of lithium-ion battery

Although Luoyang Company holds less than 20% of the equity interest of Cangzhou Mingzhu, Luoyang Company exercises significant influence over Cangzhou Mingzhu because Luoyang Company is entitled to appoint one director out of the five directors of Cangzhou Mingzhu.

The following table shows information on the associates that are material to Luoyang Company. These associates are accounted for in the Historical Financial Information using the equity method. The summarised financial information present is based on the audited financial statements or management accounts of the associates prepared based on the local accounting standards and further adjusted to comply with IFRSs by the Luoyang Company’s directors.

	As at 30 June 2019	
	Cangzhou Mingzhu RMB’000	CALB USA RMB’000
Non-current assets	470,476	522
Current assets	99,630	51,600
Non-current liabilities	(59,220)	–
Current liabilities	(22,492)	(31,876)
Net assets	488,394	20,246
Proportion of the ownership	10%	40%
Group’s share of net assets	48,839	8,098
Unrealised profit	–	(4,941)
Group’s share of carrying amount of interests	48,839	3,157
Revenue	9,755	66,748
(Loss)/profit from operations	(42,457)	9,005
Other comprehensive expense	–	(410)
Total comprehensive (expense)/income	(42,457)	8,595
Dividend income from associates	–	1,431

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The following table shows, in aggregate, Luoyang Company’s share of the amount of the immaterial associate that is accounted for using the equity method.

	As at 30 June 2019 <i>RMB’000</i>
Carrying amount of interests	– <hr/> <hr/>
For the period from 1 January 2019 to 30 June 2019 <i>RMB’000</i>	
Loss for the period, net	(61)
Other comprehensive income	– <hr/>
Total comprehensive expense	(61) <hr/> <hr/>

Luoyang Company has not recognised loss for the period ended 30 June 2019, amounting to approximately RMB61,000. The accumulated losses not recognised were approximately RMB99,000 as at 30 June 2019.

16. INVESTMENT IN A JOINT VENTURES

	As at 30 June 2019 <i>RMB’000</i>
Unlisted investments in the PRC: Share of net assets	– <hr/> <hr/>

As at 30 June 2019, details of Luoyang Company’s joint venture using equity method are as follows:

Name	Place and date of establishments	Registered capital	Percentage of equity interest attributable to Luoyang Company	Principal activities
Shanghai Yangmai	The PRC 6 August 2015	RMB10,000,000	51%	Development and wholesale of battery and car accessories

The following table shows, in aggregate, Luoyang Company’s share of the amount of the joint venture that is accounted for using the equity method in the Historical Financial Information.

	As at 30 June 2019 <i>RMB’000</i>
Carrying amount of interests	– <hr/> <hr/>

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**For the
period from
1 January 2019
to 30 June 2019
RMB’000**

Loss for the period, net	(1,068)
Other comprehensive expense	—
Total comprehensive expense	<u>(1,068)</u>

Luoyang Company has not recognised loss for the period ended 30 June 2019, amounting to approximately RMB1,068,000. The accumulated losses not recognised were approximately RMB1,068,000 as at 30 June 2019.

17. INVESTMENTS IN SUBSIDIARIES

As at 30 June 2019, Luoyang Company had direct interests in its subsidiaries, the particulars of which are set out below:

Name	Place and date of establishments	Registered Capital	Percentage of equity interest attributable to Luoyang Company	Principal activities
CALB Co., Ltd.	The PRC 8 December 2015	RMB4,000,000,000	30%	Design, research and development, production and sales of EV batteries and ESS products
CALB (Beijing)	The PRC 4 September 2013	RMB40,000,000	100%	Sales of EV battery

18. INVENTORIES

	As at 30 June 2019 RMB’000
Raw materials	50,877
Work in progress	300,086
Finished goods	241,952
	<u>592,915</u>

19. TRADE AND BILLS RECEIVABLES

	As at 30 June 2019 RMB’000
Trade receivables	758,397
Allowance for doubtful debts	(58,546)
	<u>699,851</u>
Bills receivables	125,277
	<u>825,128</u>

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The credit terms are generally within 180 days. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. Luoyang Company seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

The carrying amounts of Luoyang Company's trade receivables are denominated in RMB.

The aging analysis of trade receivables based on the invoice date, and net of allowance, is as follows:

	As at 30 June 2019 <i>RMB'000</i>
0 to 180 days	551,446
181 to 365 days	101,241
1 – 2 years	35,172
Over 2 years	11,992
	<hr/>
	699,851
	<hr/> <hr/>

Reconciliation of allowance for trade and bills receivables:

	<i>RMB'000</i>
At 1 January 2019	72,988
Reversal of allowance for the period	(14,442)
	<hr/>
At 30 June 2019	58,546
	<hr/> <hr/>

As at 30 June 2019, bills receivable RMB125,277,000 whose fair values approximate to their carrying values were classified as financial assets at fair value through other comprehensive income under IFRS 9 respectively. The fair value changes of these bills receivable at fair value through other comprehensive income were insignificant during the period from 1 January 2019 to 30 June 2019.

Bills receivables represent short-term bank acceptance bills receivable that entitle Luoyang Company to receive the full face amount from the banks at maturity, which generally ranges from 3 to 12 months from the date of issuance. Historically, Luoyang had experienced no credit losses on bills receivable. Luoyang Company from time to time endorses bills receivable to suppliers in order to settle trade payables.

As at 30 June 2019, Luoyang Company endorsed certain bank acceptance bills to suppliers for settling trade payables of the same amount on a full recourse basis. Luoyang Company has derecognised these bills receivable and payables to suppliers in their entirety. These derecognised bank acceptance bills had a maturity date of less than six months from the end of the reporting period. In the opinion of management, Luoyang Company has transferred substantially all the risks and rewards of ownership of these bills and has discharged its obligation of the payables to its suppliers, and Luoyang Company has limited exposure in respect of the settlement obligation of these bills receivable under the relevant PRC rules and regulations, should the issuing banks fail to settle the bills on maturity date. Luoyang Company considered the issuing banks of these bills are of good credit quality and non-settlement of these bills by the issuing banks on maturity is not probable. As at 30 June 2019, Luoyang Company's maximum exposure to loss and undiscounted cash outflow, which is same as the amount payable by Luoyang Company to suppliers in respect of the endorsed bills, should the issuing banks fail to settle the bills on maturity date, amounted to RMB31,543,000.

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20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2019 <i>RMB’000</i>
Deposits paid for acquisition of property, plant and equipment	79,480
Prepayments	21,307
Other tax receivables	24,198
Other deposits	166
Other receivables	1,941
	<u>127,092</u>

Analysed as:	
Non-current assets	79,480
Current assets	47,612
	<u>127,092</u>

Reconciliation of allowances for prepayments, deposits and other receivables:

	<i>RMB’000</i>
At 1 January 2019	2,698
Reversal of impairment loss for the period	(126)
	<u>2,572</u>

21. AMOUNTS DUE FROM RELATED COMPANIES, SUBSIDIARIES, AN ASSOCIATE, A JOINT VENTURE AND THE ULTIMATE HOLDING COMPANY

The amounts due from related companies, subsidiaries, an associate, a joint venture and the ultimate holding company are unsecured, interest free and repayable on demand.

22. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES

(a) Pledged bank deposits

Luoyang Company’s pledged bank deposits represented deposits pledged to banks to secure banking facilities granted to Luoyang Company.

(b) Bank and cash balances

Bank and cash balances of Luoyang Company deposited with banks in the PRC are denominated in the following currencies:

	As at 30 June 2019 <i>RMB’000</i>
RMB	146,907
US\$	440
EUR	54
	<u>147,401</u>

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ACCOUNTANT'S REPORT

Conversion of the above balances from RMB into foreign currencies and from foreign currencies into RMB is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

23. TRADE AND BILLS PAYABLES

	As at 30 June 2019 RMB'000
Trade payables	332,622
Bills payables	237,530
	<u>570,152</u>

As at 30 June 2019, bills payables were secured by bills receivables of RMB73,686,000.

The aging analysis of trade payables, based on the date of receipt of goods is as follows:

	As at 30 June 2019 RMB'000
0 to 180 days	290,628
181 – 365 days	30,789
1 – 2 years	9,999
Over 2 years	1,206
	<u>332,622</u>

The carrying amounts of Luoyang Company's trade payables are denominated in RMB.

24. ACCRUALS AND OTHER PAYABLES

	As at 30 June 2019 RMB'000
Deposits received	3,488
Accrued salaries	45,450
Accrued expenses	5,606
Payable for property, plant and equipment	107,258
Other tax payable	3,401
Other payables	9,008
	<u>174,211</u>

The carrying amounts of Luoyang Company's accruals and other payables are denominated in the following currencies:

	As at 30 June 2019 RMB'000
RMB	174,135
US\$	76
	<u>174,211</u>

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ACCOUNTANT’S REPORT

25. CONTRACT LIABILITIES

	As at 30 June 2019 <i>RMB’000</i>
Billings in advance of performance obligation - arising from sales of lithium-ion battery	40,408

Contract liabilities mainly arise from non-refundable advance payments in relation to battery sales made by paying merchants while the underlying goods are yet to be provided.

Movements in contract liabilities:

	<i>RMB’000</i>
As at 1 January 2019	–
Increase in contract liabilities as a result of billing in advance of battery sales	40,408
As at 30 June 2019	40,408

As at 30 June 2019, the amount of billings in advance of performance received is expected to be recognised as income within 1 year.

26. BANK BORROWINGS

	As at 30 June 2019 <i>RMB’000</i>
Bank borrowing	633,934

The bank borrowings are repayable as follows:

	As at 30 June 2019 <i>RMB’000</i>
Within one year	263,556
More than one year, but not exceeding two years	242,720
More than two years, but not more than five years	127,658
	633,934
Less: Amount due for settlement within 12 months (shown under current liabilities)	(263,556)
Amount due for settlement after 12 months	370,378

The carrying amounts of the bank borrowings are denominated in the RMB. The average interest rates of the bank borrowings at 30 June 2019 were 4.99%. The bank borrowings are arranged at floating rates, thus exposing Luoyang to cash flow interest rate risk.

Certain of the Luoyang Company’s banking facilities are subject to the fulfilment of covenants relating to certain of the Luoyang Company’s financial position, performance and results. If the Luoyang Company was to breach the covenants, the drawn down facilities would become payable on demand. Luoyang Company regularly monitors its compliance with these covenants. As at 30 June 2019, none of the covenants relating to banking facilities had been breached.

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27. LOANS FROM RELATED COMPANIES

	<i>Note</i>	As at 30 June 2019 <i>RMB’000</i>
China Aviation Industry Corporation Finance Co. Ltd.* (中航工業集團財務有限責任公司)	<i>(a)</i>	202,934
AVIC Electromechanical System Co., Ltd.* (中航機載系統有限公司)	<i>(b)</i>	99,036
		<u>301,970</u>

* The English translation name is for identification purpose only. The official name of the entity is in Chinese.

The purposes of the loans were for the construction of lithium-ion battery manufacturing plant and supplement of working capital.

- (a) The loan was denominated in RMB, secured by a charge over Luoyang Company’s machinery (note 12), interest bearing at 5.2% per annum and repayable on 26 October 2019.
- (b) The loan was denominated in RMB, unsecured, interest bearing at 4.35% per annum and repayable on 27 August 2019.

28. LOAN FROM A SUBSIDIARY

The purpose of the loan was solely for the construction of lithium-ion battery manufacturing plant.

The loan was denominated in RMB, unsecured, interest bearing at 4.35% per annum and repayable before 1 July 2019.

29. LOAN FROM THE ULTIMATE HOLDING COMPANY

The purpose of the loan was solely for the construction of lithium-ion battery manufacturing plant.

The loan was denominated in RMB, unsecured, interest bearing at 1.08% per annum and repayable before 20 November 2020.

30. AMOUNTS DUE TO RELATED COMPANIES AND SUBSIDIARIES

The amount due to a fellow subsidiary and a subsidiary is unsecured, interest fee and repayable on demand.

31. PROVISIONS

	Warranties <i>RMB’000</i>
At 1 January 2019	11,093
Addition of provisions	6,928
Provisions used	<u>(2,695)</u>
At 30 June 2019	<u>15,326</u>

A provision for warranties is recognised when the underlying products are sold. Under the terms of Luoyang Company’s sales agreements, Luoyang Company will rectify any product defects arising within predominantly 3 to 8 years from the date of sale. Provision is therefore made for the best estimate of the expected settlement under these agreements in respect of products sold which are still within the warranty period. The amount of provision takes into account Luoyang Company’s recent claim experience, historical warranty data and a weighting of all possible outcomes against their associated probabilities.

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32. DEFERRED INCOME

	As at 30 June 2019 <i>RMB’000</i>
Government subsidies	168,552
Analysed as:	
Non-current liabilities	168,552

The movements in deferred income related to government grants and subsidies are as follows:

	<i>RMB’000</i>
As at 1 January 2019	181,965
Received during the period	1,608
Released to profit or loss	(15,021)
As at 30 June 2019	168,552

Various government grants have been received for basic research and development activities. Government grants received for which related expenditure has not yet been undertaken are included in deferred income in the statement of financial position. A certain grant received relates to an asset is also credited to deferred income and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

33. DEFERRED TAX

Deferred tax liability	Revaluation on intangible assets <i>RMB’000</i>
At 1 January 2019	42,298
Credit to profit or loss for the period (<i>note 8</i>)	(10,574)
At 30 June 2019	31,724

Deferred tax assets

	Allowance on inventory <i>RMB’000</i>	Allowance on trade receivables <i>RMB’000</i>	Deferred revenue <i>RMB’000</i>	Others <i>RMB’000</i>	Total <i>RMB’000</i>
At 1 January 2019	20,531	10,948	16,746	6,670	54,895
Credit/(charge) to profit or loss for the period (<i>note 8</i>)	474	(2,262)	(1,311)	666	(2,433)
At 30 June 2019	21,005	8,686	15,435	7,336	52,462

As at 30 June 2019, no deferred tax asset has been recognised in respect of tax losses amounted to RMB513,772,000 due to the unpredictability of future profit streams.

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ACCOUNTANT’S REPORT

34. PAID-UP CAPITAL

	Registered capital <i>RMB’000</i>
As at 1 January 2019 and at 30 June 2019	990,867

35. CAPITAL COMMITMENTS

Commitments contracted for as at 30 June 2019 but not yet incurred are as follows:

	<i>RMB’000</i>
Property, plant and equipment	163,264
Intangible assets	499
	<u>163,763</u>

36. OPERATING LEASE ARRANGEMENTS

Luoyang Company as lessee

Luoyang Company regularly entered into short-term leases for office premises and warehouses. As at 30 June 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in note 9.

As at 30 June 2019, the outstanding lease commitments relating to these short-term leases are RMB235,000.

Luoyang Company as lessor

Operating leases relate to investment property owned by Luoyang Company with lease terms of 3 years. The lessee does not have an option to purchase the property at the expiry of the lease period.

Minimum lease payments receivable on leases are as follows:

	As at 30 June 2019 <i>RMB’000</i>
Within one year	1,593
In the second year	1,593
Total	<u>3,186</u>

The following table presents the amounts reported in profit or loss:

	For the period from 1 January 2019 to 30 June 2019 <i>RMB’000</i>
Lease income on operating leases	797

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37. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the Historical Financial Information, Luoyang Company had the following material transactions with its related parties during the period from 1 January 2019 to 30 June 2019:

	<i>RMB'000</i>
Revenue from an associate	49,647
Purchase from a subsidiary	117,392
	<u>167,039</u>

APPENDIX II

UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set forth in this Appendix II does not form part of the “Accountant’s Report” received from the Company’s reporting accountant, RSM Hong Kong, Certified Public Accountants, Hong Kong, as set forth in Appendix I to this document, and is included herein for illustrative purpose only.

The unaudited pro forma financial information should be read in conjunction with the section headed “Financial Information” in this document and the “Accountant’s Report” set forth in Appendix I to this document.

A. [REDACTED]

For illustrative purpose only, the unaudited pro forma financial information prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules is set out herein to provide the investors with further information to assess the financial performance of the Group after taking into account the adjusted consolidated net tangible assets of the Group to illustrate the financial position of the Group after completion of the [REDACTED] had the [REDACTED] been completed on 31 December 2021.

The unaudited pro forma financial information has been prepared, on the basis of the notes set out below, to illustrate how the [REDACTED] may have affected the net tangible assets attributable to owners of the Company had it occurred as of 31 December 2021. It has been prepared for illustrative purpose only and, because of its nature, may not give a true picture of the financial position of the Group.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as of 31 December 2021 <i>(Note 1)</i> RMB'000	Estimated net proceeds from the [REDACTED] <i>(Note 2)</i> RMB'000	Cessation of the put option liabilities <i>(Note 3)</i> RMB'000	[REDACTED] attributable to owners of the Company RMB'000	[REDACTED] per share <i>(Note 4)</i> RMB	<i>(Note 5)</i> HK\$
Based on an [REDACTED] of HK\$[REDACTED] per share	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [REDACTED] of HK\$[REDACTED] per share	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [REDACTED] of HK\$[REDACTED] per share	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

APPENDIX II

UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

- (1) The audited consolidated net tangible assets attributable to owners of the Company as of 31 December 2021 is arrived at after deducting the intangible assets of RMB1,075,007,000 and the non-controlling interests of RMB824,230,000 from the audited consolidated net assets of RMB24,986,124,000 as of 31 December 2021, as shown in the Accountant’s Report, the text of which is set out in Appendix I to this document.
- (2) The adjustment to the [REDACTED] reflects the estimated proceeds from the [REDACTED] to be received by the Company. The estimated proceeds from the [REDACTED] are based on the [REDACTED] of HK\$[REDACTED], HK\$[REDACTED] and HK\$[REDACTED] per share after deduction of the estimated [REDACTED] and commissions and other related expenses payable by the Company, and takes no account of any shares which may be issued upon the exercise of the [REDACTED].
- (3) The put option liabilities of the Group amounting to RMB941,132,000 as at 31 December 2021 is extracted from the Accountant’s Report as set out in Appendix I to this document. Pursuant to respective investment agreements between the Company and non-controlling shareholders of subsidiaries, upon the listing of the shares of the Company on the Main Board of the Stock Exchange, these put options shall be ceased.
- (4) The [REDACTED] per share are determined after the adjustments as described above and on the basis that [REDACTED] shares are in issue, assuming the [REDACTED] had been completed on 31 December 2021 but takes no account of any shares which may fall to be issued upon the exercise of the [REDACTED].
- (5) For the purpose of this unaudited pro forma adjusted consolidated net tangible assets, the balance stated in Renminbi is converted into Hong Kong dollars at a rate of HK\$1.00 to RMB0.8105. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

[REDACTED]

[REDACTED]

[REDACTED]

APPENDIX III

TAXATION AND FOREIGN EXCHANGE

TAXATION OF SECURITY HOLDERS

Taxation on Dividends

Individual Investors

According to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) (the “IIT Law”), which was last amended on August 31, 2018 and the Regulation on Implementation of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》), which was last amended on December 18, 2018, dividends paid by PRC enterprises are subject to individual income tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to an individual income tax rate of 20% unless specifically exempted by the tax authority of the State Council or reduced by an applicable tax treaty.

According to Circular of Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) (Cai Shui Zi [1998] No. 61) issued by the MOF and the SAT, from January 1, 1997, income of individuals from transfer of the shares of listed enterprises continues to be exempted from individual income tax. Subsequently on December 31, 2009, the Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Moratorium Shares of Listed Companies (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》) (Cai Shui [2009] No. 167) came into effect, which provides that individuals’ income from transferring listed shares on certain domestic stock exchanges shall continue to be exempted from individual income tax, except for relevant moratorium shares (as defined in the Supplementary Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation) (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》) (Cai Shui [2010] No. 70).

According to the Notice on Issues Concerning Differentiated Individual Income Tax Policies on Dividends and Bonuses of Listed Companies (《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》) (Caishui [2015] No. 101) promulgated by the MOF, the SAT and China Securities Regulatory Commission on September 7, 2015, and effective on September 8, 2015, for individuals who acquire the stocks of a listed company from public offering or secondary market and hold the stocks for more than one year, the income from dividends and bonuses shall be temporarily exempt from individual income tax. For individuals who acquire the stocks of a listed company from public offering or transferring market, all the income from dividends and bonuses shall be included into the taxable amounts in case the holding period is less than one month (inclusive of one month); 50% thereof will be included into the taxable amounts in case the holding period is over one month but less than one year (inclusive of one year) temporarily; a unified tax rate at 20% shall be applicable to the aforesaid incomes in the levy of individual income tax.

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According to the Notice of the SAT on Issues Concerning Taxation and Administration of Individual Income Tax After the Repeal of the Document Guo Shui Fa [1993] No. 45) (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) issued by the SAT on June 28, 2011, domestic non-foreign-invested enterprises issuing shares in Hong Kong may, when distributing dividends to overseas resident individuals under the tax treaty, normally withhold individual income tax at the rate of 10%, without applying to PRC tax authority. If the tax rate of 10% is not applicable, it shall be handled according to the following rules: (i) for residents of the countries who had entered into an income tax treaty with PRC to provide a tax rate lower than 10%, the withholding agent may handle the application for enjoying the agreed treatment on behalf of such individual, and the excess tax shall be returned subject to the examination and approval of the competent tax authority; (ii) for residents of the countries who had entered into an income tax treaty with PRC to provide a tax rate higher than 10% but lower than 20%, the withholding agent shall withhold individual income tax at the agreed effective tax rate without making any application; (iii) for residents of the countries who had not entered into an income tax treaty with PRC or in other cases, the withholding agent shall withhold a 20% individual income tax.

According to the Arrangement between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Income Tax (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) signed by the SAT on August 21, 2006 and effective on December 8, 2006, the PRC government may impose tax on dividends payable by a PRC company to a Hong Kong resident (including a natural person and a legal entity), but such tax amount shall not exceed 10% of the gross amount of dividends payable, and in the case where a Hong Kong resident holds a 25% or more of the equity interest in a PRC company, such tax amount shall not exceed 5% of the gross amount of dividends payable by the PRC company. Meanwhile, pursuant to the Fifth Protocol to the Arrangement between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Income Tax signed by the SAT on July 19, 2019 and effective on December 6, 2019, the above tax preference shall not apply to any arrangement or transaction with the primary purpose of obtaining the aforesaid tax benefits. The enforcement of the dividend terms of the tax agreements shall be in compliance with the Notice of the SAT on the Issues Concerning the Implementation of the Dividend Clauses of Tax Agreements (《國家稅務總局關於執行稅收協議股息條款有關問題的通知》) (Guo Shui Han [2009] No. 81) and other tax-related PRC laws and regulations.

For individual holders of H Shares who are entitled to receive dividends as residents of countries that have entered into a tax treaty with the PRC to provide a tax rate lower than 10%, the non-foreign-invested enterprise whose shares are listed in Hong Kong may apply on behalf of such holders for enjoying the lower preferential tax rate, and, upon approval by the tax authorities, the excess amount of withholding tax will be refunded. For individual holders of H Shares who are entitled to receive dividends as residents of countries that have entered into a tax treaty with the PRC to provide a tax rate higher than 10% but lower than 20%, the non-foreign-invested enterprise is required to withhold the tax at the agreed rate under the tax treaties, and no application is required. For individual holders of H Shares receiving dividends as foreign residents, and whose countries did not enter into tax treaties with the PRC, the non-foreign-invested enterprise is required to withhold the tax at a rate of 20%.

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According to the Notice on Certain Policy Issues Concerning Individual Income Tax (《關於個人所得稅若干政策問題的通知》) (Cai Shui Zi [1994] No. 20) promulgated by the MOF and the SAT on May 13, 1994 and effective on the same day, the dividends and bonuses received by foreign individuals from foreign-invested enterprises are temporarily exempt from individual income tax.

Corporate Investors

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), which came into effect as of January 1, 2008 and was last amended on December 29, 2018, and the Implementation provisions for the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》), which came into effect as of January 1, 2008 and was last amended on April 23, 2019, the rate of enterprise income tax shall be 25%. A non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income (including dividends received by a PRC resident enterprise from issuing shares in Hong Kong), if such non-resident enterprise does not have an establishment or place in the PRC or has an establishment or place in the PRC but the PRC-sourced income is not connected to such establishment or place in the PRC. The aforesaid income tax may be reduced pursuant to applicable treaties to avoid double taxation. Such income tax payable by non-resident enterprises mentioned above are deducted at source, where the payer should be the withholding agent, and the tax amount is required to be withheld from the amount to be paid by the withholding agent when such payment is made or due.

The Circular of the SAT on Issues Relating to the Withholding of Enterprise Income Tax on Dividends Paid by Chinese Resident Enterprises to Overseas Non-PRC Resident Enterprise Shareholders of H Shares (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) (Guo Shui Han [2008] No. 897) which was issued by the SAT on November 6, 2008, further clarified that a PRC-resident enterprise must withhold enterprise income tax at a rate of 10% on dividends paid to overseas non-resident enterprise shareholders of H Shares for 2008 and subsequent years. In addition, the Response to Issues on Levying Enterprise Income Tax on Dividends Derived by Non-resident Enterprise from Holding Stock such as B-shares (《國家稅務總局關於非居民企業取得B股等股票股息徵收企業所得稅問題的批復》) (Guo Shui Han [2009] No. 394) which was issued by the SAT and came into effect on July 24, 2009, further provides that any PRC-resident enterprise that is listed on overseas stock exchanges must withhold enterprise income tax at a rate of 10% on dividends that it distributes to non-resident enterprises in 2008 and onwards. Such tax rates may subject to change pursuant to the tax treaty or agreement that China has concluded with relevant jurisdiction, where applicable.

According to the Arrangement between the Mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) signed on August 21, 2006, PRC Government may levy taxes on the dividends paid by a PRC company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of total dividends payable by the PRC company. If a Hong Kong resident

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directly holds 25% or more of the equity interest in a PRC company, then such tax shall not exceed 5% of the total dividends payable by the Chinese company. The Fifth Protocol of the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion issued by the SAT (《國家稅務總局關於〈內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排〉第五議定書》) effective on December 6, 2019 states that such provisions shall not apply to those arrangements or transactions with the primary purpose of obtaining the aforesaid tax benefit. The application of the dividend clause of tax agreements shall be subject to the PRC tax laws and regulations, such as the Notice of the SAT on the Issues Concerning the Implementation of the Dividend Clauses of Tax Agreements (《國家稅務總局關於執行稅收協議股息條款有關問題的通知》) (Guo Shui Han [2009] No. 81).

Tax Treaties

Non-PRC resident investors residing in countries which have entered into treaties for the avoidance of double taxation with the PRC are entitled to a reduction of the withholding taxes imposed on the dividends received from PRC companies. The PRC currently has entered into Avoidance of Double Taxation Treaties/Arrangements with a number of countries and regions including HK, Macau, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant income tax treaties or arrangements are required to apply to the Chinese tax authorities for a refund of the withholding tax in excess of the agreed tax rate, and the refund payment is subject to approval by the Chinese tax authorities.

According to the Notice of the SAT on the Issues Concerning the Implementation of the Dividend Clauses of Tax Agreements 《國家稅務總局關於執行稅收協議股息條款有關問題的通知》 (Guo Shui Han [2009] No. 81) promulgated and came into effect on February 20, 2009, dividends distributed by a PRC company may only enjoy special tax treatment in accordance with the provisions of the relevant tax treaties after certain conditions are met. For example, the dividend recipient shall meet the conditions stipulated in the relevant tax treaties and directly hold the proportion of shares of certain class of shares and voting rights applicable to the relevant tax treaties in the PRC company at any time for 12 consecutive months prior to the receipt of the dividend. Furthermore, according to the Administrative Measures for Convention Treatment for Non-resident Taxpayers (《非居民納稅人享受協定待遇管理辦法》), which was promulgated on October 14, 2019 and became effective on January 1, 2020, non-resident taxpayers claiming treaty benefits shall be handled in accordance with the principles of "self-assessment, claiming benefits, retention of the relevant materials for future inspection." Where a non-resident taxpayer self-assesses and concludes that it satisfies the criteria for claiming treaty benefits, it may enjoy treaty benefits at the time of tax declaration or at the time of withholding through a withholding agent, simultaneously gather and retain the relevant materials pursuant to the provisions of these Measures for future inspection, and subject to subsequent administration by tax authorities.

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Taxation on Share Transfer

VAT and Local Additional Tax

According to the Notice on Fully Implementing the Pilot Reform for the Transition from Business Tax to Value-added Tax (《關於全面推開營業稅改徵增值稅試點的通知》) (Cai Shui [2016] No. 36) (hereinafter referred to as "Circular 36") promulgated by the MOF and the SAT on March 23, 2016, implemented on May 1, 2016, and amended on July 11, 2017, December 25, 2017 and March 20, 2019, respectively, entities and individuals engaged in the services sale in the PRC are subject to VAT and "engaged in the services sale in the PRC" means that the seller or buyer of the taxable services is located in the PRC. Circular 36 also provides that transfer of financial products, including transfer of the ownership of marketable securities, shall be subject to VAT at 6% on the taxable revenue (which is the balance of sales price upon deduction of purchase price), for a general or a foreign VAT taxpayer. However, individuals who transfer financial products are exempt from VAT, which is also provided in the Notice of Ministry of Finance and State Administration of Taxation on Several Tax Exemption Policies for Business Tax on Sale and Purchase of Financial Commodities by Individuals (《財政部、國家稅務總局關於個人金融商品買賣等營業稅若干免稅政策的通知》) (Cai Shui [2009] No. 111) effective on January 1, 2009.

At the same time, VAT payers are also required to pay urban maintenance and construction tax, education surtax and local education surcharge (hereinafter collectively referred to as "Local Additional Tax"), which shall be usually subject to 12% of the VAT payable (if any).

Income tax

Individual Investors

According to the Individual Income Tax Law and its implementation provisions, proceeds from the sale of equity interests in the PRC resident enterprises are subject to individual income tax at a rate of 20%. According to the Circular on Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) (Cai Shui [1998] No. 61) promulgated by the MOF and the SAT on March 20, 1998, from January 1, 1997, proceeds from transfer of the shares of listed enterprises continues to be exempted from individual income tax. On December 31, 2009, the MOF, the SAT and CSRC jointly issued the Circular on Related Issues on Levying Individual Income Tax over the Income Received by Individuals from the Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》) (Cai Shui [2009] No. 16), which states that individuals' proceeds from the transfer of the shares of listed companies on the Shanghai Stock Exchange and the Shenzhen Stock Exchange shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restriction (as defined in the Supplementary Notice on Issues Concerning the Levy of Individual Income Tax on Individuals' Income from the Transfer of Restricted Stocks of Listed Companies (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》) (Cai Shui [2010] No. 70) jointly issued by such three departments on November 10, 2010).

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As of the Latest Practicable Date, no aforesaid provisions have expressly provided that individual income tax shall be levied from non-Chinese resident individuals on the transfer of shares in PRC resident enterprises listed on overseas stock exchanges. To our knowledge, in practice, the PRC tax authorities have not sought to collect individual income tax from non-PRC resident individuals on gains from the transfer of listed shares of PRC resident enterprises on overseas stock exchanges. However, there is no assurance that the PRC tax authorities will not change these practices, which could result in levying income tax on non-PRC resident individuals on gains from the sale of our H Share.

Enterprise Investors

According to the EIT Law and its implementation provisions, a non-resident enterprise is generally subject to corporate income tax at a rate of 10% on PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. Such income tax payable for non-resident enterprises are deducted at source, for which the payer thereof shall be the withholding agent. When making such payment or when such payment becomes due and payable, the withholding agent shall withhold the income tax from the payment or the payment becoming due and payable. Such tax may be reduced or exempted pursuant to relevant tax treaties or agreements on avoidance of double taxation.

Stamp Duty

According to the Provisional Regulations of the PRC on Stamp Duty (《中華人民共和國印花稅暫行條例》) came into effect on October 1, 1988 and amended on January 8, 2011, and the Implementation Provisions of Provisional Regulations of the PRC on Stamp Duty (《中華人民共和國印花稅暫行條例施行細則》) came into effect on October 1, 1988, PRC stamp duty only applies to specific voucher executed or received within the PRC, having legally binding force in the PRC and being protected under the PRC laws, thus the requirements of the stamp duty imposed on the transfer of shares of PRC listed companies shall not apply to the acquisition and disposal of H Shares by non-PRC investors outside of the PRC.

Estate Duty

Currently no estate duty has been levied in the PRC.

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PRINCIPAL TAXATION OF OUR COMPANY IN THE PRC

Enterprise Income Tax

According to EIT Law and its implementation provisions, enterprises and other organizations which generate income within the PRC are enterprise income tax payers and shall pay enterprise income tax at a tax rate of 25%. A foreign-invested enterprise in the PRC that is classified as a resident enterprise shall pay enterprise income tax on its income derived from sources within and without China at a rate of 25%.

Value-added Tax

According to Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例》) (“VAT Provisional Regulations”) and Implementation Rules for the Provisional Regulations the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》) (“VAT Provisional Regulations Implementation Rules”), entities and individuals that sell goods or labor services of processing, repair or replacement, sales, intangible assets, real estates, or import goods within the territory of the PRC are taxpayers of value-added tax (“VAT”), and shall pay VAT in accordance with these Regulations. Unless otherwise provided for by law, the VAT rate is: 17%, for taxpayers selling goods, labor services, or tangible movable property leasing services or importing goods; 11%, for taxpayers selling transportation, postal, basic telecommunications, construction, or real estates leasing services, selling real estates, transferring the rights to use land, or selling or importing specific goods; 6%, for taxpayers selling services or intangible assets; zero, for domestic entities and individuals selling services or intangible assets within the scope prescribed by the State Council across national borders; and zero, for taxpayers exporting goods, except as otherwise specified by the State Council.

According to the Notice on Fully Implementing the Pilot Reform for the Transition from Business Tax to Value-added Tax (《關於全面推開營業稅改徵增值稅試點的通知》) (Cai Shui [2016] No. 36) promulgated by the MOF and the SAT on March 23, 2016, and implemented on May 1, 2016, the pilot program of the collection of value-added tax in lieu of business tax shall be promoted nationwide in a comprehensive manner, and all taxpayers of business tax engaged in the building industry, the real estate industry, the financial industry and the life service industry shall be included in the scope of the pilot program with regard to the payment of value-added tax instead of business tax.

According to the Circular of Taxation on Adjusting Value-added Tax Rates (《關於調整增值稅稅率的通知》) (“Cai Shui [2018] No. 32”) promulgated by the MOF and the SAT on April 4, 2018 and implemented on May 1, 2018, where a taxpayer engages in a taxable sales activity for the value-added tax purpose or imports goods, the previous applicable 17% and 11% tax rates are lowered to 16% and 10%, respectively.

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According to the Announcement on Relevant Policies for Deepening the Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》) promulgated by the MOF, the SAT and the General Administration of Customs of the PRC on March 20, 2019 and implemented on April 1, 2019 ("Circular 39 by the MOF, the SAT and the General Administration of Customs for 2019") ("Circular 39"), for general VAT taxpayers who conduct VAT taxable sales or import goods, applicable tax rates that were previously subject to 16% and 10% were adjusted to 13% and 9%, respectively.

Foreign Exchange

The lawful currency of the PRC is Renminbi, which is currently subject to foreign exchange controls and cannot be freely converted into foreign currency. The SAFE, under the authority of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

According to Regulations on Foreign Exchange Administration of the PRC (《中華人民共和國外匯管理條例》) (the "Foreign Exchange Administration Regulations") promulgated by the State Council on January 29, 1996 and became effective on April 1, 1996, the Foreign Exchange Administration Regulations classify all international payments and transfers into current items and capital items. Most of the current items are not subject to the approval of foreign exchange administration authorities, while capital items are subject to such approval. The Foreign Exchange Administration Regulations were subsequently amended on January 14, 1997 and August 1, 2008, and became effective on August 5, 2008. The latest amendment to the Foreign Exchange Administration Regulations clearly states that the PRC will not impose any restriction on international current payments and transfers.

On June 20, 1996, PBOC promulgated the Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) (Yin Fa [1996] No. 210) (the "Settlement Regulations"), which became effective on July 1, 1996. The Settlement Regulations do not impose any restrictions on convertibility of foreign exchange under current items, while imposes restrictions on foreign exchange transactions under capital items.

According to the relevant laws and regulations in the PRC, PRC enterprises (including foreign-invested enterprises) which need foreign exchange for current account transactions may, without the approval of the foreign exchange administrative authorities, effect payment through foreign exchange accounts opened at financial institutions that carries foreign exchange business or operating institutions that carries settlement and sale business, on the strength of valid receipts and proof. Foreign-invested enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with regulations, are required to pay dividends to their shareholders in foreign exchange may, on the strength of resolutions of the board of directors or the shareholders' meeting on the distribution of profits, effect payment from foreign exchange accounts opened at financial institutions that carries foreign exchange business or institutions that carries settlement and sale business, or effect exchange and payment at financial institutions that carry foreign exchange business or institutions that carry settlement and sale business.

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According to the Circular on Improving the Reform of the Renminbi Exchange Rate Formation Mechanism (《關於完善人民幣匯率形成機制改革的公告》) (PBOC Circular [2005] No. 16) promulgated by the PBOC on July 21, 2005, the PRC has started to implement a managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand and adjusted with reference to a basket of currencies. Therefore, the Renminbi exchange rate was no longer pegged to the U.S. dollar. PBOC would publish the closing price of the exchange rate of the Renminbi against trading currencies such as the U.S. dollar in the interbank foreign exchange market after the closing of the market on each working day, as the central parity of the currency against Renminbi transactions on the following working day.

According to the Announcement on the Improvement of the Inter-bank Spot Foreign-Exchange Market (《中國人民銀行關於進一步完善銀行間即期外匯市場的公告》) (PBOC Announcement [2006] No.1), since January 4, 2006, the PBOC improved the method of generating the middle price for quoting the RMB exchange rate by introducing an enquiry system while keeping the match-making system in the interbank spot foreign exchange market. In addition, PBOC provided liquidity in the foreign exchange market by introducing the market-making system in the inter-bank foreign exchange market.

According to the Decision of the State Council on Canceling and Adjusting a Group of Administrative Approval Items and Other Matters (《國務院關於取消和調整一批行政審批項目等事項的決定》) (Guo Fa [2014] No.50), it canceled the administrative approval by the SAFE and its branches for matters concerning the repatriation and settlement of foreign exchange of overseas-raised funds through overseas listing.

On December 26, 2014, the SAFE issued the Notice of the SAFE on Issues Concerning the Foreign Exchange Administration of Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》) (Hui Fa [2014] No. 54), pursuant to which a domestic company shall, within 15 business days of the date of the end of its overseas listing issuance, register the overseas listing with the SAFE's local branch at the place of its incorporation; and the proceeds from an overseas listing of a domestic company may be remitted to the domestic account or deposited in an overseas account, but the use of the proceeds shall be consistent with the content of the document and other disclosure documents.

On February 13, 2015, the SAFE issued the Notice of the SAFE on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (Hui Fa [2015] No. 13), which came into effect on June 1, 2015 and were partly cancelled. The notice has cancelled the confirmation of foreign exchange registration under domestic direct investment and the confirmation of foreign exchange registration under overseas direct investment, instead, banks shall directly examine and handle foreign exchange registration under domestic direct investment and foreign exchange registration under overseas direct investment, and the SAFE and its local branches shall indirectly regulate the foreign exchange registration of direct investment through banks.

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According to the Notice of the SAFE on Revolutionize and Regulate Capital Account Settlement Management Policies (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (Hui Fa [2016] No. 16) issued by the SAFE on June 9, 2016, foreign currency earnings in capital account that relevant policies of willingness exchange settlement have been clearly implemented on (including the recalling of raised capital by overseas listing) may undertake foreign exchange settlement in the banks according to actual business needs of the domestic institutions. The tentative percentage of foreign exchange settlement for foreign currency earnings in capital account of domestic institutions is 100%, subject to adjustment of the SAFE in due time in accordance with international revenue and expenditure situations.

On January 26, 2017, the SAFE issued the Notice of the SAFE on Further Promoting the Reform of Foreign Exchange Administration and Improving the Examination of Authenticity and Compliance (《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》) (Hui Fa [2017] No. 3) to further expand the scope of settlement for domestic foreign exchange loans, allow settlement for domestic foreign exchange loans with export background under goods trading, allow repatriation of funds under domestic guaranteed foreign loans for domestic utilization, allow settlement for domestic foreign exchange accounts of foreign institutions operating in the Free Trade Pilot Zones, and adopt the model of full-coverage RMB and foreign currency overseas lending management, where a domestic institution engages in overseas lending, the sum of its outstanding overseas lending in RMB and outstanding overseas lending in foreign currencies shall not exceed 30% of its owner's equity in the audited financial statements of the preceding year.

In accordance with the Circular of the SAFE on Further Promoting Cross-border Trade and Investment Facilitation (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》) (Hui Fa [2019] No. 28) promulgated by the SAFE on October 23, 2019, and became effective on the same day, foreign-invested enterprises engaged in non-investment business are permitted to settle foreign exchange capital in RMB and make domestic equity investments with such RMB funds according to laws and regulations under the condition that the current Special Administrative Measures (Negative List) for Foreign Investment Access are not violated and the relevant domestic investment projects are authentic and compliant.

According to the Circular of the SAFE on Optimizing Foreign Exchange Administration to Support the Development of Foreign-related Business (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》) (Hui Fa [2020] No. 8) promulgated by the SAFE on April 10, 2020 and became effective on the same day, the reform of facilitating the payments of incomes under the capital accounts shall be promoted nationwide. Under the prerequisite of ensuring true and compliant use of funds and compliance with the prevailing administrative provisions on use of income under the capital account, enterprises which satisfy the criteria are allowed to use income under the capital account, such as capital funds, foreign debt and overseas listing, etc. for domestic payment, without prior provision of proof materials for veracity to the bank for each transaction.

APPENDIX IV

SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

THE PRC LEGAL SYSTEM

The PRC legal system is based on the PRC Constitution (《中華人民共和國憲法》), the “Constitution”), which was adopted on December 4, 1982 and amended on April 12, 1988, March 29, 1993, March 15, 1999, March 14, 2004 and March 11, 2018. The PRC legal system is made up of written laws, administrative regulations, local regulations, autonomous regulations, separate regulations, rules and regulations of State Council departments, rules and regulations of local governments, laws of special administrative regions, international treaties of which the PRC government is a signatory, and other regulatory documents. Court judgments do not constitute legally binding precedents, although they are used for the purposes of judicial reference and guidance.

The National People’s Congress (the “NPC”) and its Standing Committee are empowered to exercise the legislative power of the State in accordance with the Constitution and the PRC Legislation Law (《中華人民共和國立法法》), which was adopted on July 1, 2000 and amended on March 15, 2015. The NPC has the power to formulate and amend basic laws governing state organs, civil, criminal and other matters. The Standing Committee of the NPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend parts of the laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of state administration and has the power to formulate administrative regulations based on the Constitution and laws.

The people’s congresses of the provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual needs of their respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations. The people’s congresses of cities divided into districts and their respective standing committees may formulate local regulations on aspects such as urban and rural construction and management, environmental protection and historical and cultural protection based on the specific circumstances and actual needs of such cities, provided that such local regulations do not contravene any provision of the Constitution, laws, administrative regulations and local regulations of their respective provinces or autonomous regions. If the law provides otherwise on the matters concerning formulation of local regulations by cities divided into districts, those provisions shall prevail. Such local regulations by cities divided into districts will become enforceable after being reported to and approved by the standing committees of the people’s congresses of the relevant provinces or autonomous regions. The standing committees of the people’s congresses of the provinces or autonomous regions examine the legality of local regulations submitted for approval, and such approval should be granted within four months if they are not in conflict with the Constitution, laws, administrative regulations and local regulations of such provinces or autonomous regions. Where, during the examination for approval of local regulations of cities divided into districts

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by the standing committees of the people's congresses of the provinces or autonomous regions, conflicts are identified with the rules and regulations of the people's governments of the provinces or autonomous regions concerned, a decision should be made by the standing committees of the people's congresses of provinces or autonomous regions to resolve the issue. People's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the ethnic groups in the areas concerned.

The ministries and commissions of the State Council, the People's Bank of China, National Audit Office and the subordinate institutions with administrative functions directly under the State Council may formulate departmental rules within the jurisdiction of their respective departments based on the laws and administrative regulations, and the decisions and orders of the State Council. Provisions of departmental rules should be the matters related to the enforcement of the laws and administrative regulations, and the decisions and orders of the State Council. The people's governments of the provinces, autonomous regions, municipalities and cities or autonomous prefectures divided into districts may formulate rules and regulations based on the laws, administrative regulations and local regulations of such provinces, autonomous regions and municipalities.

According to the Constitution, the power to interpret laws is vested in the Standing Committee of the NPC. Pursuant to the Resolution of the Standing Committee of the NPC Providing an Improved Interpretation of the Law (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) implemented on June 10, 1981, the Supreme People's Court has the power to give interpretation on issues related to the application of laws in a court trial, and issues related to the application of laws in a prosecution process of a procuratorate should be interpreted by the Supreme People's Procuratorate. If there is any disagreement in principle between Supreme People's Court's interpretations and Supreme People's Procuratorate's interpretations, such issues shall be reported to the Standing Committee of the NPC for interpretation or judgment. The other issues related to laws other than the abovementioned should be interpreted by the State Council and the competent authorities. The State Council and its ministries and commissions are also vested with the power to give interpretations of the administrative regulations and departmental rules which they have promulgated. At the regional level, the power to interpret regional laws is vested in the regional legislative and administrative authorities which promulgate such laws.

THE PRC JUDICIAL SYSTEM

Under the Constitution and the Law of Organization of the People's Courts of the PRC (《中華人民共和國人民法院組織法》), which is adopted on January 1, 1980 and amended on September 2, 1983, December 2, 1986, October 31, 2006 and October 26, 2018, the PRC judicial system is made up of the Supreme People's Court, the local people's courts and special people's courts.

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The local people’s courts are comprised of the basic people’s courts, the intermediate people’s courts and the higher people’s courts. The basic people’s courts may set up civil, criminal and economic divisions, and certain people’s courts based on the facts of the region, population and cases. The intermediate people’s courts have divisions similar to those of the basic people’s courts and may set up other special divisions if needed. These two levels of people’s courts are subject to supervision by people’s courts at higher levels. The Supreme People’s Court is the highest judicial authority in the PRC. It supervises the administration of justice by the people’s courts at all levels and special people’s courts. The Supreme People’s Procuratorate is authorised to supervise the judgment and ruling of the people’s courts at all levels which have been legally effective, and the people’s procuratorate at a higher level is authorised to supervise the judgment and ruling of a people’s court at lower levels which have been legally effective.

The people’s courts adopt a “second instance as final” appellate system. A party may appeal against the judgment or ruling of the first instance of a local people’s court. The people’s procuratorate may present a protest to the people’s court at the next higher level in accordance with the procedures stipulated by the laws. In the absence of any appeal by the parties and any protest by the people’s procuratorate within the stipulated period, the judgments or rulings of the people’s court are final. Judgments or rulings of the second instance of the intermediate people’s courts, the higher people’s courts and the Supreme People’s Court, and judgments or rulings of the first instance of the Supreme People’s Court are final. However, if the Supreme People’s Court finds some definite errors in a legally effective judgment, ruling or conciliation statement of the people’s court at any level, or if the people’s court at a higher level finds such errors in a legally effective judgment, ruling or conciliation statement of the people’s court at a lower level, it has the authority to review the case itself or to direct the lower-level people’s court to conduct a retrial. If the chief judge of all levels of people’s courts finds some definite errors in a legally effective judgment, ruling or conciliation statement, and considers a retrial is preferred, such case shall be submitted to the judicial committee of the people’s court at the same level for discussion and decision.

The Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》), the “PRC Civil Procedure Law”) adopted on April 9, 1991 and amended on October 28, 2007, August 31, 2012 and June 27, 2017 prescribes the conditions for instituting a civil action, the jurisdiction of the people’s courts, the procedures for conducting a civil action, and the procedures for enforcement of a civil judgment or ruling. All parties to a civil action conducted within the PRC must abide by the PRC Civil Procedure Law. Generally, a civil case is initially heard by the court located in the defendant’s place of domicile. The court of jurisdiction in respect of a civil action may also be chosen by explicit agreement among the parties to a contract, provided that the people’s court having jurisdiction should be located at places substantially connected with the disputes, such as the plaintiff’s or the defendant’s place of domicile, the place where the contract is executed or signed or the place where the object of the action is located. Moreover, the provisions regarding the level of jurisdiction and exclusive jurisdiction shall not be violated.

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A foreign individual, a person without nationality, a foreign enterprise or a foreign organization is given the same litigation rights and obligations as a citizen, a legal person or other organizations of the PRC when initiating actions or defending against litigations at a PRC court. Should a foreign court limit the litigation rights of PRC citizens or enterprises, the PRC court may apply the same limitations to the citizens and enterprises of such foreign country. A foreign individual, a person without nationality, a foreign enterprise or a foreign organization must engage a PRC lawyer in case he or it needs to engage a lawyer for the purpose of initiating actions or defending against litigations at a PRC court. In accordance with the international treaties to which the PRC is a signatory or participant or according to the principle of reciprocity, a people’s court and a foreign court may request each other to serve documents, conduct investigation and collect evidence and conduct other actions on its behalf. All parties to a civil action shall perform the legally effective judgments and rulings. If any party to a civil action refuses to abide by a judgment or ruling made by a people’s court or an award made by an arbitration tribunal in the PRC, the other party may apply to the people’s court for the enforcement of the same within two years subject to application for postponed enforcement or revocation. If a party fails to satisfy within the stipulated period a judgment which the court has granted an enforcement approval, the court may, upon the application of the other party, mandatorily enforce the judgment on the party.

Where a party applies for enforcement of a judgment or ruling made by a people’s court against a party who is not within the territory of the PRC and does not own any property in the PRC, the applicant may directly apply to a foreign court with jurisdiction for recognition and enforcement of the judgment or ruling. A foreign judgement or ruling may also be recognised and enforced according to the PRC enforcement procedures by the people’s court in accordance with the international treaties entered into with the relevant foreign country or the principle of reciprocity involved in which provides for such recognition and enforcement, unless the people’s court considers that the recognition or enforcement of such judgment or ruling would violate the basic legal principles of the PRC, its sovereignty or national security, or against the social and public interests.

THE PRC COMPANY LAW, SPECIAL REGULATIONS AND MANDATORY PROVISIONS

The Company Law (《公司法》) which was promulgated on December 29, 1993 by the Standing Committee of the NPC, last amended on October 26, 2018 and came into effect on the same date regulates the organization and operation of companies and protects the legitimate rights and interests of companies, shareholders and creditors. The Company Law has cancelled the restriction on the minimum registered capital and replaced the registered paid-up share capital system by the registered subscribed capital system.

The Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (《國務院關於股份有限公司境外募集股份及上市的特別規定》, the “Special Regulations”) were promulgated by the State Council, and took effect on August 4, 1994. The Special Regulations are formulated according to the Company Law

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(1993) in respect of the overseas share subscription and listing of joint stock limited companies. The Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (《到境外上市公司章程必備條款》), the “Mandatory Provisions”) were issued jointly by the former Securities Commission of the State Council and the former State Economic Restructuring Commission on August 27, 1994, prescribing provisions which must be incorporated into the articles of association of joint stock limited companies to be listed overseas. Accordingly, the Mandatory Provisions have been incorporated in the Articles of Association (which are summarised in the appendix headed “Appendix V – Summary of the Articles of Association” to this document).

Copies of the Chinese text of the PRC Company Law, Special Regulations and the Mandatory Provisions together with copies of their unofficial English translations thereof are available for inspection as mentioned in the appendix headed “Appendix VII – Documents delivered to the Registrar of Companies in Hong Kong and documents on display” to this document.

General

A “joint stock limited liability company” (hereinafter referred to as “company”) is a corporate legal person incorporated under the PRC Company Law, whose registered capital is divided into shares of equal nominal value. The liability of its shareholders is limited to the extent of the shares held by them, and the liability of our company is limited to the full amount of all the assets owned by it.

A state-owned enterprise that is restructured into a company must comply with the conditions and requirements specified by law and administrative regulation, for the modification of its operation mechanisms, the systematic handling and evaluation of our company’s assets and liabilities and the establishment of internal management organs.

Incorporation

A company may be incorporated by promotion or subscription. A company may be incorporated by two to 200 promoters, but at least half of the promoters must reside in the PRC.

Companies incorporated by promotion are companies with the registered capital entirely subscribed for by the promoters. Where companies are incorporated by subscription, the promoters are required to subscribe for not less than 35% of the total number of shares of a company unless otherwise stipulated by laws and regulations, and the remaining shares can be offered to the public or specific persons, unless otherwise required by law.

For companies incorporated by promotion, the registered capital has to be the total capital subscribed for by all promoters as registered with our company registration authority. Our company shall not raise capital from others before the promoters fully pay the capital subscribed by them; for companies established by public subscription, the registered capital is the amount of total paid-up capital as registered with our company registration authority.

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The promoters shall convene an inaugural meeting within 30 days after the issued shares have been fully paid up, and shall 15 days before the meeting give notice to all subscribers or make a public announcement of the date of the inaugural meeting.

The inaugural meeting may be convened only with the presence of shareholders holding shares representing more than 50% of the total issued shares of our company. At the inaugural meeting, matters including the adoption of draft articles of association proposed by the promoter(s) and the election of the board of directors and the supervisory committee of our company will be dealt with. All resolutions of the meeting require the approval of subscribers with more than half of the voting rights present at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors shall apply to our company registration authority for registration of the establishment of our company. Our company is formally established and has the status of a legal person after the approval for registration has been given and a business license has been issued.

Share Capital

The promoters of a company can make capital contributions in cash or in kind, that can be valued in currency and transferable according to law such as intellectual property rights or land use rights based on their appraised value.

If capital contribution is made other than in cash, valuation and verification of the property contributed must be carried out and converted into shares according to the laws.

A company may issue registered or bearer shares. However, shares issued to promoter(s) or legal person(s) shall be in the form of registered shares and shall be registered under the name(s) of such promoter(s) or legal person(s) and shall not be registered under a different name or the name of a representative.

The Special Regulations and the Mandatory Provisions provide that shares issued to foreign investors and listed overseas shall be issued in registered form and shall be denominated in Renminbi and subscribed for in foreign currency.

Under the Special Regulations and the Mandatory Provisions, shares issued to foreign investors and investors from the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan and listed overseas are known as overseas listed foreign shares, and those shares issued to investors within the PRC other than the territories specified above are known as domestic shares.

A company may offer its shares to the public overseas with approval by the securities administration department of the State Council. Specific provisions shall be specifically formulated by the State Council. Under the Special Regulations, upon approval of the CSRC, a company may agree, in the underwriting agreement in respect of an issue of overseas listed foreign shares, to retain not more than [REDACTED] of the aggregate number of overseas listed foreign shares proposed to be issued after accounting for the number of underwritten shares.

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The share offering price may be equal to or greater than nominal value, but shall not be less than nominal value.

The transfer of shares by shareholders should be conducted via the legally established stock exchange or in accordance with other methods as stipulated by the State Council. Transfer of registered shares by a shareholder must be made by means of an endorsement or by other means stipulated by law or administrative regulation. Bearer shares are transferred by delivery of the share certificates to the transferee.

Shares held by a promoter of a company shall not be transferred within one year after the date of our company's incorporation. Shares issued by a company prior to the public offer of its shares shall not be transferred within one year from the date of listing of the shares of our company on a stock exchange. Directors, supervisors and senior management of a company shall not transfer over 25% of the shares held by each of them in our company each year during their term of office and shall not transfer any share of our company held by each of them within one year after the listing date. There is no restriction under the PRC Company Law as to the percentage of shareholding a single shareholder may hold in a company.

Transfers of shares may not be entered in the register of members within 20 days before convening a shareholders' general meeting or within five days prior to the reference date set by our company for the purpose of distribution of dividends.

Increase in Capital

Under the PRC Company Law, an increase in the capital of a company by means of an issue of new shares must be approved by shareholders in general meeting.

Save for the above-mentioned shareholder approval requirement, for a public offering of new shares, the Securities Law provides that our company shall: (i) have a sound organizational structure with satisfactory operating record; (ii) have the capability of continuing profitability and a healthy financial position; (iii) have no false statements and other material breaches in the financial and accounting documents of the last three years; (iv) fulfill other conditions required by the securities administration department of the State Council as approved by the State Council.

Public offer requires the approval of the securities administration department of the State Council.

After payment in full for the new shares issued, a company must change its registration with our company registration authority and issue a public notice accordingly.

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Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the PRC Company Law:

- (i) our company shall prepare a balance sheet and an inventory of the assets;
- (ii) the reduction of registered capital must be approved by shareholders in general meeting;
- (iii) our company shall inform its creditors of the reduction in capital within 10 days and publish an announcement of the reduction in the newspaper within 30 days after the resolution approving the reduction has been passed;
- (iv) the creditors of our company may within the statutory prescribed time limit require our company to pay its debts or provide guarantees covering the debts; and
- (v) our company must apply to our company registration authority for registration of the reduction in registered capital.

Repurchase of Shares

A company may not purchase its own shares other than for the purpose of:

- (i) reducing our company's registered capital;
- (ii) merging with another company holding our company's shares;
- (iii) using the shares as employee stock plan or share incentive;
- (iv) requiring our company to acquire shares from shareholders who have voted against the resolutions passed at a general meeting on the merger or division of our company;
- (v) using the shares to convert the corporate bonds issued by a listed company that may be converted into share; and
- (vi) necessary if a listed company wishes to maintain the value of our company and the interests of the shareholders.

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Transfer of Shares

Shares may be transferred in accordance with the relevant laws and regulations. A shareholder should effect a transfer of his shares on a stock exchange established in accordance with laws or by any other means as required by the State Council. Registered shares shall be transferred by means of endorsement by shareholders or by such other means specified by laws or regulations. The transfer of bearer share certificates shall become effective upon the delivery of the certificates to the transferee by the shareholder.

The shares held by the promoters of our company shall not be transferable within one year from the date of our incorporation. Shares issued prior to our company's public offering shall not be transferable within one year from the date on which our company's shares are listed on the stock exchange.

The shares transferrable by directors, supervisors and senior management officers of our company during each year of their tenures shall not exceed twenty-five percent of their total holdings of the shares in our company. The shares in our company held by them are not transferable within one year from the date of listing and shall not be transferred within six months of their departure from our company.

Shareholders

Shareholders have such rights and obligations as set forth in the articles of association of a company. The articles of association of a company are binding on each shareholder. Under the PRC Company Law and the Mandatory Provisions, the rights of a shareholder include:

- (i) to attend in person or appoint a proxy to attend general meetings, and to vote in respect of the number of shares held;
- (ii) to transfer his shares in accordance with applicable laws and regulations and the articles of association of our company;
- (iii) to inspect our company's articles of association, shareholders' registers, records of debentures, minutes of general meetings, board resolutions, supervisors resolutions, financial and accounting reports and put forward proposals or raise questions about the business operations of our company;
- (iv) if any directors or senior management officers damages the shareholder's interests by violating law or administrative regulations or article of association, the shareholders may lodge an action in the people's court;
- (v) to receive dividends and other distributions in respect of the number of shares held;

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- (vi) to obtain surplus assets of our company upon its termination in proportion to his shareholding;
- (vii) to claim against other shareholders who abuse their shareholders' rights for the damages; and
- (viii) any other shareholders' rights specified in our company's articles of association.

The obligations of a shareholder include the obligation to abide by our company's articles of association, to pay the subscription monies in respect of the shares subscribed for, to be liable for our company's debts and liabilities to the extent of the amount of subscription monies agreed to be paid in respect of the shares taken up by him, not to abuse shareholders' right to damage the interests of our company or other shareholders of our company, and not to abuse the independent status of our company as a legal person and the limited liability to damage the interests of the creditors of our company, and any other shareholders' obligation specified in our company's articles of association.

General Meetings

The general meeting is the organ of authority of our company, which exercises its powers in accordance with the Company Law.

The general meeting exercises the following principal powers:

- (i) to decide on our company's operational policies and investment plans;
- (ii) to elect or replace the directors, supervisors who are not representatives of the employees and decide on matters relating to the remuneration of directors and supervisors;
- (iii) to consider and approve reports of the board of directors;
- (iv) to consider and approve reports of the supervisory committee;
- (v) to consider and approve our company's proposed annual financial budget and financial accounts;
- (vi) to consider and approve our company's proposals for profit distribution and for recovery of losses;
- (vii) to decide on any increase or reduction in our company's registered capital;
- (viii) to decide on the issue of bonds by our company;

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- (ix) to decide on issues such as merger, division, dissolution, liquidation or change of the form of our company and other matters;
- (x) to decide on the appointment, resignation or dismissal of the accounting firm;
- (xi) to amend the articles of association of our company; and
- (xii) other powers specified in the articles of association of our company.

A general meeting is required to be held once every year. An extraordinary general meeting is required to be held within two months after the occurrence of any of the following circumstances:

- (i) the number of directors is less than the number provided for in the Company Law or less than two-thirds of the number specified in our company's articles of association;
- (ii) the losses of our company which are not made up reach one-third of our company's total paid up share capital;
- (iii) a request by a shareholder that holds, or by shareholders that hold in aggregate, 10% or more of our company's shares;
- (iv) when deemed necessary by the board of directors;
- (v) when the supervisory committee proposes convening it; or
- (vi) other matters required by our company's articles of association.

General meetings shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or not performing his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of directors shall preside over the meeting. Where the board of directors is incapable of performing or not performing its duties of convening the general meeting, the supervisory committee shall convene and preside over such meeting in a timely manner. In case the supervisory committee fails to convene and preside over such meeting, shareholders alone or in aggregate holding more than 10% of the total shares of our company for 90 days consecutively may unilaterally convene and preside over such meeting.

In accordance with the Reply of the State Council on the Adjustment to the Notice Period for General Meetings and Other Matters Applicable to Overseas Listed Companies (《國務院關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批覆》) (Guo Han [2019] No. 97) issued by the State Council on October 17, 2019, it is agreed that the relevant

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provisions of the Company Law shall be uniformly applied to the requirements of the notice period, the right of shareholders to propose and the procedures for convening the general meeting of a joint stock limited company registered in China and listed abroad, and the provisions of Articles 20 to 22 of the Special Provisions shall no longer apply. Therefore, the notice of the general meeting shall be given to all shareholders 20 days before the meeting, stating the matters to be considered at the meeting.

Shareholders present at a general meeting have one vote for each share they hold, but our company shall have no vote for any of its own shares our company holds.

Resolutions proposed at the general meeting shall be adopted by more than half of the voting rights cast by shareholders present (including those represented by proxies) at the meeting, with the exception of matters relating to merger, division, dissolution, increase or reduction in registered capital, change in the form of our company or amendments to the articles of association which shall be adopted by shareholders with two-thirds or more of the voting rights cast by shareholders present (including those represented by proxies) at the meeting.

Shareholders may entrust a proxy to attend general meetings on his behalf by a power of attorney which sets forth the scope of exercising the voting rights.

There is no specific provision in the Company Law regarding the number of shareholders constituting a quorum in a general meeting. The Mandatory Provisions require class meetings to be held in the event of **a variation or derogation of the class rights of a class**. Holders of domestic invested shares and holders of overseas listed foreign invested shares are deemed to be different classes of shareholders for this purpose.

Directors

A company shall have a board of directors, which shall consist of 5 to 19 members and there can be staff representatives of our company. Under the Company Law, each term of office of a director shall not exceed three years. A director may serve consecutive terms if re-elected.

Meetings of the board of directors shall be convened at least twice a year. Notice of meeting shall be given to all directors and supervisors at least 10 days before the meeting. The board of directors may provide for a different method of giving notice and notice period for convening an extraordinary meeting of the board of directors.

Under the Company Law, the board of directors exercises the following powers:

- (i) to convene the general meeting and report on its work to the shareholders;
- (ii) to implement the resolution of the general meeting;

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- (iii) to decide on our company's business plans and investment plans;
- (iv) to formulate our company's proposed annual financial budget and final accounts;
- (v) to formulate our company's proposals for profit distribution and for recovery of losses;
- (vi) to formulate proposals for the increase or reduction of our company's registered capital and the issue of corporate bonds;
- (vii) to prepare plans for the merger, division, dissolution or change of the form of our company;
- (viii) to decide on our company's internal management structure;
- (ix) to appoint or dismiss our company's general manager, and based on the general manager's recommendation, to appoint or dismiss deputy general manager and financial officers of our company and to decide on their remuneration;
- (x) to formulate our company's basic management system; and
- (xi) any other power given under the articles of association of our company.

In addition, the Mandatory Provisions provide that the board of directors is also responsible for formulating the proposals for amendment of the articles of association of a company.

Meetings of the board of directors shall be held only if more than half of the directors are present. Resolutions of the board of directors require the approval of more than half of all directors.

If a director is unable to attend a board meeting, he may appoint another director by a power of attorney specifying the scope of the authorization to attend the meeting on his behalf.

If a resolution of the board of directors violates the laws, administrative regulations or our company's articles of association as a result of which our company sustains serious losses, the directors participating in the resolution are liable to compensate our company. However, if it can be proven that a director expressly objected to the resolution when the resolution was voted on, and that such objections were recorded in the minutes of the meeting, such director may be relieved of that liability.

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Under the Company Law, the following persons may not serve as a director of a company:

- (i) persons without civil capacity or with restricted civil capacity;
- (ii) persons who have committed the offense of corruption, bribery, taking of property, misappropriation of property or destruction of the social economic order, and have been sentenced to criminal punishment, where less than five years have elapsed since the date of completion of the sentence; or persons who have been deprived of their political rights due to criminal offense, where less than five years have elapsed since the date of the completion of implementation of this deprivation;
- (iii) persons who are former directors, factory managers or managers of a company or enterprise which has become bankrupt and been liquidated due to mismanagement and who are personally liable for the bankruptcy of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of our company or enterprise;
- (iv) persons who were legal representatives of a company or enterprise which had its business license revoked or business operation shut down due to violation of the law and who are personally liable, where less than three years have elapsed since the date of the revocation of the business license of our company or enterprise;
- (v) persons who have a relatively large amount of debt due and outstanding; or
- (vi) other circumstances under which a person is disqualified from acting as a director of a company are set out in the Mandatory Provisions (which have been incorporated in the Articles of Association, a summary of which is set out in the appendix headed "Appendix V – Summary of the Articles of Association" to this document).

The board of directors shall appoint a chairman, who is elected with approval of more than half of all the directors. The chairman of the board of directors exercises, among others, the following powers:

- (i) to preside over general meetings and convene and preside over meetings of the board of directors; and
- (ii) to check on the implementation of the resolutions of the board of directors.

The legal representative of a company in accordance with the Mandatory Provisions, is the chairman. The Special Regulations provide that **directors, supervisors, managers and other senior management officers of a company shall bear fiduciary duties and the duty to act diligently**. They are required to faithfully perform their duties, protect the interests of our company and not to use their positions for their own benefit. The Mandatory Provisions (which have been incorporated into the Articles of Association, a summary of which is set out in the appendix headed "Appendix V – Summary of the Articles of Association" to this document) contain further elaborations of such duties.

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Supervisors

A company shall have a supervisory committee composed of not less than three members. Each term of office of a supervisor is three years and he may serve consecutive terms if re-elected. A supervisor shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a re-elected supervisor assumes office, if re-election is not conducted in a timely manner upon the expiry of his term of office or if the resignation of supervisor results in the number of supervisors being less than the quorum. The supervisory committee is made up of shareholders representatives and an appropriate proportion of our company's staff representatives; and the percentage of the number of our company's staff representatives shall not be less than one-third. Directors and senior management officers shall not act as supervisors.

Requirements in relation to the power of the supervisory committee under the Company Law are as follows:

- (i) to examine our company's financial affairs;
- (ii) to supervise the directors and senior management officers in their performance of their duties and to propose the removal of any director or senior management officer who violates the laws, regulations, articles of association or shareholders' resolution;
- (iii) to require any director or senior management officer whose act is detrimental to our company's interests to rectify such act;
- (iv) to propose the convening of extraordinary general meetings and, in the event that the board of directors fails to perform the duties of convening and presiding over general meetings to convene and preside over general meetings;
- (v) to propose any bills to general meetings;
- (vi) to commence any action against any directors or senior management officer; and
- (vii) other powers specified in our company's articles of association.

The circumstances under which a person is disqualified from being a director of a company described above apply mutates mutandis to supervisors of a company.

The Special Regulations provide that the directors and supervisors of a company shall have fiduciary duties. They are required to faithfully perform their duties, protect the interest of our company and not to use their positions for their own benefit.

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Supervisors may be in attendance at board meetings and make enquiries or proposals in respect of board resolutions. The supervisory committee or (where there is no supervisory committee) the supervisors of a company may initiate investigations into any irregularities identified in the operation of our company and, where necessary, may engage an accountant to assist in their work. All expenses incurred by the supervisory committee to exercise their power shall be borne by our company.

Meetings of the supervisory committee shall be convened at least every six months. Interim meetings of the supervisory committee can be convened by the supervisors. Under the Company Law, resolutions of the supervisory committee require the approval of more than half of all supervisors. In accordance with the Letter Regarding Opinion on Supplementary Amendments to Articles of Association of Companies to be Listed in Hong Kong (《關於到香港上市公司對公司章程作補充修改的意見的函》) issued by the CSRC on April 3, 1995, resolutions made by the Supervisory Committee shall be approved by two thirds or above of the members of the Supervisory Committee. Each supervisor shall have one vote for resolutions to be approved by the supervisory committee. Minutes shall be prepared in respect of matters considered at the meeting of the supervisory committee and supervisors attending the meeting shall sign to endorse such minutes.

Managers and other Senior Management officers

A company shall have a manager who shall be appointed or removed by the board of directors. The manager is accountable to the board of directors and may exercise the following powers:

- (i) in charge of the production, operation and management of our company and arrange for the implementation of resolutions of the board of directors;
- (ii) arrange for the implementation of our company's annual business and investment plans;
- (iii) formulate plans for the establishment of our company's internal management structure;
- (iv) formulate the basic administration system of our company;
- (v) formulate our company's internal rules;
- (vi) recommend the appointment and dismissal of deputy managers and any financial officer and appoint or dismiss other senior management officers (other than those required to be appointed or dismissed by the board of directors);
- (vii) attend board meetings as a non-voting attendant; and
- (viii) other powers conferred by the board of directors or our company's articles of association.

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The Special Regulations and the Mandatory Provisions provide that **other senior management officers of a company include the financial officer, secretary of the board of directors and other executives as specified in the article of association of our company.**

The circumstances under which a person is disqualified from being a director of a company also apply to managers and senior officers of our company.

The articles of association of a company shall have binding effect on the shareholders, directors, supervisors, managers and other senior management officers of our company. Such persons shall be entitled to exercise their rights, apply for arbitration and issue legal proceedings according to the articles of association of our company. The provisions of the Mandatory Provisions regarding senior management officers of a company have been incorporated in the Articles of Association, a summary of which is set out in the appendix headed "Appendix V – Summary of the Articles of Association" to this document.

Duties of Directors, Supervisors and Senior Management officers

A director, supervisor and senior management officer of a company are required under the PRC Company Law to comply with the relevant laws, regulations and our company's articles of association, carry out their duties honestly and protect the interests of our company. They are also prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating our company's properties. Directors and senior management officers are prohibited from:

- (i) misappropriation of company funds;
- (ii) deposit of company funds into accounts under their own name or the name of other individuals;
- (iii) loaning company funds to others or providing guarantees in favor of others supported by our company properties in violation of the articles of association or without prior approval of the general meeting or board of directors;
- (iv) entering into contracts or deals with our company in violation of the articles of association or without prior approval of the general meeting or board of directors;
- (v) using their position to procure business opportunities for themselves or others that should have otherwise been available to our company or operating businesses similar to that of our company for their own benefits or on behalf of others without prior approval of the general meeting;
- (vi) accepting commissions for their own benefit from other parties dealing with our company;

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(vii) unauthorised divulgence of confidential information of our company; or

(viii) other acts in violation of their duty of loyalty to our company.

A director, supervisor and senior management officer of a company is also under a duty of confidentiality to our company.

A director, supervisor and senior management officer who contravenes any law, regulation or our company's articles of association in the performance of his duties which results in any loss to our company shall be personally liable to our company.

The Special Regulations and the Mandatory Provisions provide that a director, supervisor and senior management officer of a company owe fiduciary duties to our company and are required to perform their duties faithfully and to protect the interests of our company and not to make use of their positions in our company for their own benefit.

Where the attendance of a director, supervisor and senior management officer is requested by the general meeting, such director, supervisor and senior management officer shall attend the meeting as requested and answer enquiries of shareholders. Directors and senior management officers shall furnish with all truthfulness facts and information to the supervisory committee without obstructing the discharge of duties by the supervisory committee.

A company shall not directly, or through its subsidiary, provide loans to any director, supervisor or senior management officer and shall regularly disclose to the shareholders any information regarding remunerations received by the directors, supervisors or senior management officer of our company.

Finance and Accounting

A company shall establish its financial and accounting systems according to laws, administrative regulations and the provisions of the competent financial department of the State Council and at the end of each financial year, prepare a financial report which shall be audited and verified as provided by law.

A company shall deposit its financial statements at our company for inspection by the shareholders at least 20 days before the convening of the annual general meeting. A company incorporated by public subscription must publish its financial statements.

The common reserve of a company comprises the statutory surplus reserve, the discretionary common reserve and the capital common reserve.

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When distributing each year's after-tax profits, our company shall set aside 10% of its after-tax profits for our company's statutory surplus reserve (except where the reserve has reached 50% of our company's registered capital). After a company has made an allocation to its statutory common reserve from its after-tax profits, subject to a resolution of the general meeting, our company may make an allocation to a discretionary common reserve.

When our company's statutory surplus reserve is not sufficient to make up for our company's losses of the previous years, the current year profits shall be used to make up for the losses before allocations are set aside for the statutory surplus reserve.

After our company has made up for its losses and make allocations to its statutory surplus reserve, the remaining profits could be available for distribution to shareholder in proportion to the number of shares held by the shareholders except as otherwise provided in the articles of association of such company limited by shares.

The capital common reserve of a company is made up of the premium over the nominal value of the shares of our company on issue and other amounts required by the relevant governmental authority to be treated as the capital common reserve.

The common reserve of a company shall be applied for the following purposes:

- (i) to make up our company's losses other than the capital common reserve;
- (ii) to expand the business operations of our company; and
- (iii) to increase the registered capital of our company by the issue of new shares to shareholders in proportion to their existing shareholdings in our company or by increasing the nominal value of the shares currently held by the shareholders provided that if the statutory surplus reserve is converted into registered capital, the balance of the statutory surplus reserve after such conversion shall not be less than 25% of the registered capital of our company before such conversion.

Our company shall have no other accounting books except the statutory accounting books. Our company's assets shall not be deposited in any accounts opened in the name of an individual.

Appointment and Retirement of Auditors

The Special Regulations require a company to employ an independent PRC qualified accounting firm to audit our company's annual report and to review and check other financial reports.

The auditors are to be appointed for a term commencing from the close of an annual general meeting and ending at the close of the next annual general meeting.

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If a company removes or ceases to continue to appoint the auditors, it is required by the Special Regulations to give prior notice to the auditors and the auditors are entitled to make representations before the shareholders in general meeting. The appointment, removal or non-reappointment of auditors shall be decided by shareholders at the general meetings and shall be filed with the CSRC for record.

Distribution of Profits

The Company Law provides that a company is restricted from distributing profits before accumulated losses have been made up and statutory common reserve have been drawn. The Special Regulations provide that the dividends and other distributions to be paid to holders of overseas listed foreign shares shall be declared and calculated in Renminbi and paid in foreign currency. Under the Mandatory Provisions, the payment of foreign currency to shareholders shall be made through a receiving agent.

Amendments to Articles of Association

Any amendments to our company's articles of association must be made in accordance with the procedures set forth in our company's articles of association. The amendment to articles of association involving content of the Mandatory Provisions will only be effective upon approval of the approving authority authorised by the State Council and the CSRC; where the amendments involve the registered particulars of our company, procedures for change of registration shall be completed with our company's registration authority.

Dissolution and Liquidation

Under the PRC Company Law, a company shall be dissolved in any of the following events:

- (i) the term of its operations set down in its articles of association has expired or events of dissolution specified in its articles of association have occurred;
- (ii) the shareholders in general meeting have resolved to dissolve our company;
- (iii) our company is dissolved by reason of its merger or division;
- (iv) the business license of our company is revoked or our company is ordered to close down or to be dissolved in accordance with the laws; or
- (v) our company is dissolved by a people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all shareholders of our company, on the grounds that the operation and management of our company has suffered serious difficulties that cannot be resolved through other means, rendering ongoing existence of our company a cause for significant losses to the shareholders.

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Where our company is dissolved in the circumstances described in (i), (ii), (iv) and (v) above, a liquidation committee must be formed within 15 days after the occurrence of the cause of dissolution so as to carry out liquidation. Members of the liquidation committee shall be composed of directors or any other person determined by the general meeting.

If a liquidation committee is not established within the stipulated period, our company's creditors can apply to the people's court for its establishment.

The liquidation committee shall notify our company's creditors within ten days after its establishment, and issue a public notice in the newspapers within 60 days. A creditor shall lodge his claim with the liquidation committee within 30 days after receiving notification, or within 45 days of the public notice if he did not receive any notification. The liquidation committee shall exercise the following powers during the liquidation period:

- (i) to handle our company's assets and to prepare a balance sheet and an inventory of assets;
- (ii) to notify creditors or issue public notices;
- (iii) to deal with and settle any outstanding business of relevant company;
- (iv) to pay any tax overdue;
- (v) to settle our company's financial claims and liabilities;
- (vi) to handle the remaining assets of our company after its debts have been paid off; and
- (vii) to represent our company in civil lawsuits.

If our company's assets are sufficient to meet its liabilities, they shall be applied towards the payment of the liquidation expenses, wages owed to the employees and labor insurance expenses, tax overdue and debts of our company. Any remaining assets shall be distributed to the shareholders of our company in proportion to the number of shares held by them.

During the liquidation period, a company shall not engage in operating activities unrelated to the liquidation.

If the liquidation committee becomes aware that our company does not have sufficient assets to meet its liabilities, it must immediately apply to the people's court for a declaration of insolvency according to the laws. Following such declaration of insolvency by the people's court, the liquidation committee shall hand over all affairs of the liquidation to the people's court.

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Upon completion of the liquidation, the liquidation committee shall submit a liquidation report to the general meeting or the people's court for confirmation. Thereafter, the report shall be submitted to our company's registration authority in order to cancel our company's registration, and a public notice of its termination shall be issued.

Members of the liquidation committee are required to discharge their duties honestly and in compliance with relevant laws. A member of liquidation committee is liable to indemnify our company and its creditors in respect of any loss arising from his willful or material default.

Loss of Share Certificates

A shareholder may apply, in accordance with the relevant provisions set out in the PRC Civil Procedure Law, to a people's court in the event that share certificates in registered form are either stolen or lost, for a declaration that such certificates will no longer be valid. After such a declaration has been obtained, the shareholder may apply to our company for the issue of replacement certificates.

The Mandatory Provisions provide for a separate procedure regarding loss of H share certificates (which has been incorporated in the Articles of Association, a summary of which is set out in "Appendix V – Summary of Articles of Association.")

Merger and Division

Companies may merge through merger by absorption or through the establishment of a newly merged entity. If it merges by absorption, our company which is absorbed shall be dissolved. If it merges by forming a new corporation, both companies will be dissolved.

As for a corporate merger, the merging parties shall sign an agreement and formulate a balance sheet and an inventory of assets. The companies involved shall, within 10 days after the date of passing the resolution approving the merger, notify the creditors, and shall make a public announcement in a newspaper within 30 days. The creditors may, within 30 days after the receipt of the notification or within 45 days after the date of the public announcement if it fails to receive the notification, require our company to settle any outstanding debts or to provide corresponding guarantees. In the case of a merger, the credits and debts of the merging parties shall be assumed by our company that survives the merger or by the newly established company.

As for the division of a company, the assets thereof shall be divided accordingly, and a balance sheet and an inventory of assets shall be prepared. Our company shall, within 10 days after the date of passing the resolution approving the division, notify the creditors and make a public announcement in a newspaper within 30 days. The debts of our company which have accrued prior to the division shall be jointly assumed by the companies which exist after the division, unless it is otherwise prescribed by our company and the creditors before the division with regard to the settlement of such debts in the written agreement.

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Overseas Listing

The shares of a company shall only be listed overseas after obtaining approval from the securities regulatory authority of the State Council and the listing must be arranged in accordance with procedures specified by the State Council.

According to the Special Regulations, a company’s plan to issue overseas listed foreign shares and domestic shares which has been approved by the securities regulatory authority of the State Council may be implemented by the board of directors of a company by way of separate issues, within 15 months after approval is obtained from the CSRC.

SECURITIES LAW AND REGULATIONS

The PRC has promulgated a number of regulations related to the issue and trading of the shares and disclosure of information. CSRC is the securities supervising body in China responsible for formulating securities policies, drafting of securities regulatory provisions, supervising securities markets, market agents and participants, regulating public offers for sale of securities by PRC companies in the PRC or overseas, and regulating the trading of securities.

The Securities Law of the PRC (the “Securities Law”) came into force on July 1, 1999, and was last amended on December 28, 2019 and became effective on March 1, 2020. This is the first national securities law in the PRC, and it is divided into 14 chapters and 226 articles regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council’s securities regulatory authorities. The PRC Securities Law comprehensively regulates activities in the PRC securities market. Article 224 of the PRC Securities Law provides that a domestic enterprise issuing securities overseas, directly or indirectly, or having its securities listed or traded overseas, shall comply with the relevant regulations of the State Council. Article 225 of the PRC Securities Law provides that specific provisions in respect of shares of companies in the PRC which are to be subscribed and traded in foreign currencies shall be separately formulated by the State Council. Currently, the issue of foreign issued shares (including H Shares) is still mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The Arbitration Law of the PRC (《中華人民共和國的仲裁法》, the “Arbitration Law”) was passed by the Standing Committee of the National People’s Congress on August 31, 1994, last amended on September 1, 2017 and came into effect on January 1, 2018. It is applicable to contract disputes and other property disputes between natural persons, legal persons and other organizations where the parties have entered into a written agreement to refer the matter to arbitration before an arbitration committee constituted in accordance with the Arbitration Law. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate provisional arbitration rules in accordance with the Arbitration Law and the Civil Procedure Law. Where the parties have by agreement provided arbitration as the method for dispute resolution, the people’s court will refuse to handle the case.

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The Hong Kong Listing Rules and the Mandatory Provisions require an arbitration clause to be included in the articles of association and, in the case of the Hong Kong Listing Rules, also in a company’s contracts with each of the directors and supervisors, to the effect that whenever any disputes or claims arise between holders of the H shares and our company; holders of the H shares and the directors, supervisors or senior management officers; or holders of the shares, in respect of any disputes or claims in relation to our affairs or as a result of any rights or obligations arising under the articles of association, the Company Law or other relevant laws and administrative regulations, such disputes or claims shall be referred to arbitration.

Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, if they are shareholders, directors, supervisors, senior management officers of our company, shall be subject to the arbitration. Disputes in respect of who is the shareholder and disputes in relation to our register of members need not be resolved by arbitration.

A claimant may elect for arbitration to be carried out at either the China International Economic and Trade Arbitration Commission (“CIETAC”) in accordance with its rules or the Hong Kong International Arbitration Centre (“HKIAC”) in accordance with its securities arbitration rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant. If the claimant elects for arbitration to be carried out at the HKIAC, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the securities arbitration rules of the HKIAC.

Under the Arbitration Law and the PRC Civil Procedure Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people’s court for enforcement. A people’s court may refuse to enforce an arbitral award made by an arbitration commission if there is any procedural or membership irregularity specified by law or the award exceeds the scope of the arbitration agreement or is outside the jurisdiction of the arbitration commission.

A party seeking to enforce an arbitral award of PRC arbitration panel against a party who, or whose property, is not within the PRC, may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognised and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC. The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (《承認及執行外國仲裁裁決公約》) (the “New York Convention”) adopted on June 10, 1958 pursuant to a resolution of the Standing Committee of the National People’s Congress passed on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognised and enforced by other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances,

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including where the enforcement of the arbitral award is against the public policy of the State to which the application for enforcement is made. It was declared by the Standing Committee of the National People's Congress simultaneously with the accession of the PRC that (i) the PRC will only recognize and enforce foreign arbitral awards on the principle of reciprocity and (ii) the PRC will only apply the New York Convention in disputes considered under PRC laws to arise from contractual and non-contractual mercantile legal relations.

In June 1999, an arrangement was made between Hong Kong and the Supreme People's Court of the PRC for the mutual enforcement of arbitral awards. This new arrangement was approved by the Supreme People's Court of the PRC and the Hong Kong Legislative Council, and became effective on February 1, 2000. The arrangement is made in accordance with the spirit of the New York Convention. Under the arrangement, awards made by PRC arbitration bodies pursuant to the Arbitration Law can be enforced in Hong Kong. Hong Kong arbitral awards pursuant to the Arbitration Ordinance of Hong Kong are also enforceable in the PRC. On November 26, 2020, the Supreme People's Court of the PRC issued the Supplemental Arrangement Concerning Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region(《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的補充安排》, the "Supplemental Arrangement"), among which, Article 1 and Article 4 of the Supplemental Arrangement were implemented on November 27, 2020, and Article 2 and Article 3 thereof were implemented on May 19, 2021.

ESTABLISHMENT OF OVERSEAS OPERATIONS RULES AND REGULATIONS

According to the Provisions for Overseas Investment Management (《境外投資管理辦法》) which was promulgated by MOFCOM and took effective on October 6, 2014, and the Provisions on the Foreign Exchange Administration of Overseas Investment of Domestic Institutions (《境內機構境外直接投資外匯管理規定》) which was issued by SAFE and became effective on August 1, 2009, upon obtaining approval from the commerce authority to establish enterprises overseas, PRC enterprises shall apply for foreign exchange registration for overseas investments.

According to the Administrative Measures for Overseas Investment by Enterprises (《企業境外投資管理辦法》) which was promulgated by the NDRC and became effective on March 1, 2018, the investment activities in which a domestic enterprise of the PRC obtains ownership, right of control, operation and management rights and other relevant interests overseas directly or through its controlled overseas enterprise by way of investing assets and equities or providing financing and guarantee are subject to obtaining the approval from and filing with the NDRC or its provincial authorities according to the relevant conditions of the overseas investment projects.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

Set out herein is a summary of the Articles of Association for the main purpose of providing an overview of the Articles of Association to potential investors. As the information contained herein is only a summary, it may not contain all the information that is important to potential investors.

GENERAL

Our Company is a joint stock limited company in perpetual existence.

The Articles of Association shall, from the date when it comes into force, constitute a legally binding document regulating the organization and activities of our Company, the rights and obligations between our Company and each Shareholder and among the Shareholders, and shall be binding on our Company and its Shareholders, Directors, Supervisors, general manager and other senior management officers.

SHARES AND REGISTERED CAPITAL

Our Company shall have ordinary shares at all times. Our Company may according to its needs create shares of other classes upon approval of the approving authority authorised by the State Council.

The stock of our Company shall take the form of shares. All shares issued by our Company shall have a par value denominated in Renminbi, with each share having a par value of RMB1.

Our Company shall issue shares under the principles of openness, fairness and equality and shares of the same class shall carry same rights. The issuance conditions and price per share of the same class in the same issuance shall be the same; the same price shall be paid for each share of the same class in the same issuance subscribed for by any entities or individuals.

Domestic shares and overseas listed foreign shares issued by our Company shall have the same right in any distribution in the form of dividend or any other forms. Our Company shall not exercise any right to freeze or otherwise impair any of the rights attached to any shares only on the ground that the person who is interested directly or indirectly therein has failed to disclose his interests to our Company.

Our Company may offer its shares to both domestic and foreign investors with the approval of the competent securities regulatory authority under the State Council. The shares issued by our Company to domestic investors for subscription in Renminbi shall be referred to as domestic shares. The shares issued by our Company to overseas investors for subscription in foreign currency shall be referred to as foreign shares. Foreign shares listed overseas shall be referred to as overseas listed foreign shares. Shareholders of both domestic shares and foreign shares are ordinary shareholders and shall have the same rights and obligations.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

INCREASE, REDUCTION AND REPURCHASE OF SHARES

Our Company may increase or reduce its registered capital according to law upon resolutions being passed at the general meetings.

Capital Increase

Our Company may, based on its business and development needs and in accordance with laws and regulations, increase its registered capital in the following manners upon respective resolutions being adopted at the general meetings:

- (I) by public offering of shares;
- (II) by non-public offering of shares;
- (III) by placing new shares to its existing Shareholders;
- (IV) by allotting bonus shares to its existing Shareholders;
- (V) by capitalizing its capital common reserve;
- (VI) by any other means which is permitted by laws and administrative regulations.

Our Company may dispose of the shares of any untraceable Shareholder and retain the proceeds, if:

- (I) during a period of 12 years at least three times dividends in respect of the shares in question have become payable and no dividend during that period has been received by Shareholders; and
- (II) on expiry of the 12 years, our Company shall give notice of its intention to sell the shares by way of an advertisement in newspapers upon approval from the securities regulatory authority of the State Council, and notify such authority and relevant overseas stock exchanges and securities regulatory authorities where our shares are listed of such intention.

Capital Reduction

Our Company may reduce its registered capital in accordance with the procedures provided in the Company Law and other relevant requirements and the Articles of Association.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

Repurchase of Shares

Our Company may not repurchase the shares of our Company, except in any of the following situations:

- (I) its registered capital is reduced;
- (II) merging with another company that holds shares of our Company;
- (III) the shares are used for the employee share scheme or equity incentives;
- (IV) when requested by any Shareholder to purchase his shares because this Shareholder objects to any resolution of merger or division made by our Company at general meetings;
- (V) the shares are used for conversion of convertible corporate bonds issued by the listed company;
- (VI) any necessary action is taken to protect the value of the listed company and shareholders' interests;
- (VII) other circumstances permitted by laws, administrative regulations or regulatory authorities.

If our Company repurchases its own shares under the circumstances set out in items (1) and (2) of the preceding paragraph, resolutions related thereto shall be adopted at a general meeting. If our Company repurchases its own shares under the circumstances set out in items (3), (5) and (6) of the preceding paragraph, resolutions related thereto shall be adopted at the meeting of Board of Directors with more than two-thirds of the Directors attending in accordance with the Articles of Association or a mandate by the general meeting.

If our Company repurchases its own shares in accordance with paragraph one under the circumstances set forth in item (1), the shares so repurchased shall be cancelled within 10 days of the repurchase and shall proceed to register the change in the registered capital with the competent administration for industry and commerce; in the event of the circumstances set forth in items (2) and (4), the shares so repurchased shall be transferred or cancelled within 6 months; in the event of the circumstances set forth in items (3), (5) and (6), the repurchase shall be carried out through open and centralised transactions, the aggregate number of shares of our Company held by itself shall not exceed 10% of its total shares in issue, and the shares so repurchased shall be transferred or cancelled within three years.

The aggregate par value of the cancelled shares shall be deducted from our Company's registered capital.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

Our Company may repurchase its shares in one of the following manners with the approval from relevant national competent authorities:

- (I) by making a general offer for the repurchase of shares to all its Shareholders on a pro-rata basis;
- (II) by repurchasing shares through public dealing on a stock exchange;
- (III) by repurchasing shares by means of an off-market agreement; or
- (IV) in other circumstances permitted by laws, administrative regulations and regulatory authorities.

Our Company must obtain the prior approval of the Shareholders at a general meeting in accordance with the Articles of Association before it can repurchase shares by means of an off-market agreement. Our Company may, upon the prior approval of the Shareholders at a general meeting, release or vary any contract which has been entered into by our Company in a manner set forth above, or waive its rights thereunder.

The agreement for the repurchase of shares referred to in the preceding paragraph includes, but not limited to, an agreement to assume the obligations of repurchasing shares or acquire the rights of repurchasing shares.

Our Company may not assign an agreement for the repurchase of its shares or any right contained in such agreement.

For the purpose of the redeemable shares which our Company has the right to repurchase, the repurchase prices shall be limited to a certain maximum price if they are not repurchased through the market or by tender. In case of repurchase by tender, tenders shall be offered to all Shareholders on equal conditions and a relevant announcement shall be made.

FINANCIAL ASSISTANCE FOR THE ACQUISITION OF OUR COMPANY'S SHARES

Our Company or its subsidiaries shall not, by any means at any time, provide any kind of financial assistance to a person who is acquiring or is proposing to acquire shares of our Company. The said acquirer of shares includes a person who directly or indirectly incurs any obligations due to the acquisition of shares of our Company.

Our Company or its subsidiaries shall not, by any means at any time, provide financial assistance to the said acquirer for the purpose of reducing or discharging the obligations assumed by that person.

This Article shall not apply to the circumstances referred to in Article 39 in the Articles of Association.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

SHARE CERTIFICATES AND REGISTER OF MEMBERS

Share Certificates

The share certificates of our Company shall be in registered form.

In addition to those provided in the Company Law, a share certificate of our Company shall contain any other items required to be specified by the stock exchange on which the shares of our Company are listed.

Register Of Members

Our Company shall keep a register of members which shall contain the following particulars:

- (I) the name, address (place of domicile), occupation or nature of business of each shareholder;
- (II) the class and number of shares held by each shareholder;
- (III) the amount paid-up or payable in respect of shares held by each shareholder;
- (IV) the share certificate numbers of the shares held by each shareholder;
- (V) the date on which each shareholder was entered in the register as a shareholder; and
- (VI) the date on which any shareholder ceased to be a shareholder.

Unless there is evidence to the contrary, the register of members shall be the sufficient evidence of the Shareholders' shareholding in our Company.

Subject to the Articles of Association and other applicable requirements, upon transfer of our Company's shares, the transferees of the shares will become the holders of such shares with their names being entered in the register of members.

All instruments of transfer and other documents related to the ownership of any H shares or affecting the ownership of any H shares shall be registered. If any fees are charged in respect of such registration, such fees shall not exceed the highest fees as prescribed by the Stock Exchange.

Where two or more than two persons are registered as joint holders of any shares, they should be deemed as joint owners of such shares and subject to the following restrictions:

- (I) our Company shall register no more than four persons as the joint holders of any shares;
- (II) all joint holders of any shares shall jointly and severally assume obligation for all amounts payable for relevant shares;

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(III) if one of the joint holders dies, only the surviving joint holders shall be deemed by our Company to be such persons as having the ownership of the relevant shares. The Board shall have the right, for the purpose of making amendments to the register of members, to demand a death certificate of the relevant shareholder where it deems appropriate to do so; and

(IV) for joint holders of any shares, any of joint holders may attend a general meeting of our Company or exercise the voting rights of the shares (regardless of attendance in person or by proxy). In case more than one joint holder attends the general meeting in person or by proxy, only the attender whose name appears first in the register of members among such joint holders is entitled to vote for such shares.

The shares of our Company held by promoters may not be transferred within one year after our Company's establishment. The shares of our Company issued before the initial public offering shall not be transferred within one year since the listing and trading of our Company's shares on the stock exchange(s).

The Directors, Supervisors and senior management officers of our Company shall report to our Company the number of shares held by them in our Company and the subsequent changes in their shareholdings. The number of shares which such persons may transfer every year during their terms of office shall not exceed 25% of the total number of our Company's shares in his or her possession. Such personnel shall not transfer our Company's shares in their possession within half year after they have terminated their employment with our Company.

If the transfer restriction involves H shares, then the relevant provisions of the Listing Rules of the Stock Exchange shall apply.

Upon obtaining approval from the competent securities regulatory authority of the State Council, shareholders of domestic shares of our Company can transfer their shares to foreign investors, and trade on an overseas stock exchange. All or part of the domestic shares may be converted into foreign shares, and the foreign shares so converted may be listed and traded on an overseas stock exchange. When transferred or converted shares are listed and traded on an overseas stock exchange, the shares are subject to the supervision procedures, regulations and requirements of the overseas stock exchange. No general meeting or class meeting is required to be held to vote for the listing and trading of the transferred shares on an overseas stock exchange or the conversion of domestic shares into foreign shares and the listing and trading of such shares on an overseas stock exchange. After the conversion of domestic shares into overseas-listed foreign shares, it shall be in the same class of shares as the original overseas-listed foreign shares.

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SHAREHOLDERS' RIGHTS AND OBLIGATIONS

Shareholders

A Shareholder of our Company is a person who lawfully holds shares of our Company and has his name recorded in the register of members.

A Shareholder of our Company shall enjoy the relevant rights and assume the relevant obligations in accordance with the class and number of shares he holds. Shareholders holding the same class of shares shall enjoy the same rights and assume the same obligations.

All classes of Shareholders of our Company shall have equal rights in any distribution in the form of a dividend or any other forms.

Where legal persons become Shareholders of our Company, their legal representatives or nominees of their legal representatives shall exercise relevant rights on their behalf.

Our Company shall not exercise its rights to freeze or otherwise impair any of the rights attached to the shares based on the ground that the person who is interested directly or indirectly therein has failed to disclose his interests to our Company.

Rights and Obligations of Shareholders

The ordinary shareholders of our Company shall enjoy the following rights:

- (I) the right to receive dividends and other distributions in proportion to their shareholdings;
- (II) the right to request, convene, chair, attend or appoint a proxy to attend general meetings and to exercise corresponding voting rights in accordance with laws;
- (III) the right to supervise our Company's operations, to present proposals or to raise enquires;
- (IV) the right to transfer, bestow or pledge the shares held by them in accordance with laws, administrative regulations and the Articles of Association;

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(V) the right to obtain relevant information in accordance with the Articles of Association, including:

1. the right to obtain a copy of the Articles of Association, subject to payment of cost;
2. the right to inspect and copy, subject to payment of a reasonable charge:
 - (1) all parts of the register of members;
 - (2) personal particulars of each of our Company's Directors, Supervisors and senior management officers, including (i) present and former name or alias; (ii) principal address (place of residence); (iii) nationality; (iv) full-time and all other part-time occupations and duties; (v) identification document and its number;
 - (3) reports on the status of our Company's issued share capital;
 - (4) latest audited financial statements of our Company and the reports of the Board of Directors, auditors and the Supervisory Committee;
 - (5) special resolutions of our Company;
 - (6) reports showing the number and par value of each class of shares repurchased by our Company since the last fiscal year, total amount paid therefor, and the highest and lowest prices paid for each class of securities repurchased (breakdown by domestic shares and foreign shares);
 - (7) minutes of general meetings;
 - (8) counterfoils of corporate bonds, resolutions of the Board of Directors and the Supervisory Committee;
 - (9) annual report/inspection form of the previous year that has been filed with the Administration for Market Regulation or other competent authorities.

The above documents of items (3), (4), (5), (6) and (9) shall be published by our Company on the websites of the Stock Exchange and our Company.

The above documents of item (1) and (7) and other applicable documents shall be kept by our Company, according to the requirements of the Listing Rules of the Stock Exchange, at a place in Hong Kong for inspection by shareholders free of charge, and for copying by shareholders at reasonable charges.

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If the information to be inspected and photocopied involves trade secrets or inside information of our Company and the personal privacy of relevant personnel, our Company may refuse to provide the same;

- (VI) in the event of the termination or liquidation of our Company, to participate in the distribution of remaining assets of our Company in accordance with the shareholdings;
- (VII) with respect to shareholders who vote against any resolution adopted at the general meeting on the merger or division of our Company, the right to demand our Company to buy back their shares;
- (VIII) shareholders who individually or collectively hold more than 3% of our Company's shares shall have the rights to propose interim resolutions and submit them in writing to the Board of Directors 10 days prior to the general meeting;
- (IX) other rights conferred by the laws, administrative regulations, departmental rules and the Articles of Association.

When a Shareholder requests to inspect the relevant information mentioned in the preceding Article or obtain such materials, he shall provide our Company with such written documents evidencing the class and amount of his shareholding in our Company. Our Company may provide such information per the Shareholder's request after verifying his identity. Shareholders shall keep the confidentiality of the information and materials to be inspected.

If a Director or any other senior management officer has violated the laws, administrative regulations or the Articles of Association in the course of performing his duties to our Company, and thereby caused our Company to incur a loss, Shareholders individually or jointly holding 1% or more of our Company's shares for more than 180 consecutive days may request in writing the Supervisory Committee to initiate proceedings in the people's court in respect thereof. If the Supervisory Committee has violated the laws, administrative regulations or the Articles of Association in the course of performing its duties to our Company, and thereby caused our Company to incur a loss, Shareholders may request in writing the Board of Directors to initiate proceedings in the people's court in respect thereof.

If the Supervisory Committee or the Board of Directors refuses to initiate proceedings after receipt of a written request from the Shareholders as mentioned in the preceding paragraph, or fails to initiate proceedings within 30 days of the date of receipt of the request, or under urgent circumstances where failure to promptly initiate proceedings would cause irreparable harm to our Company's interests, the Shareholders mentioned in the preceding paragraph are entitled to directly initiate proceedings in the people's court in their own name in the interests of our Company.

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If any third party infringes the lawful rights of our Company and has caused a loss to our Company, the Shareholders mentioned in the first paragraph of this Article may initiate proceedings in the people's court according to the provisions of the two preceding paragraphs.

If a Director and any other senior management officer violates laws, administrative regulations or the Articles of Association and prejudices the interests of the Shareholders of our Company, the Shareholders may initiate proceedings in the people's court in respect thereof.

The shareholders of ordinary shares of our Company shall assume the following obligations:

- (I) to comply with the laws, administrative regulations and Articles of Association;
- (II) to pay subscription monies according to the number of shares subscribed and the method of subscription;
- (III) be liable to our Company to the extent of the shares held by the shareholders;
- (IV) not to withdraw their capital contribution after approval and registration by our Company, except under the circumstances as stipulated in laws and regulations;
- (V) not to abuse their shareholders' rights to harm our Company's or other shareholders' interests; not to abuse the status of our Company as an independent legal person or the limited liability of shareholders to harm the interests of our Company's creditors. If any shareholder abuses the shareholders' rights and causes losses to our Company or other shareholders, such shareholder shall be held liable for damages in accordance with laws. If any shareholder abuses the status of our Company as an independent legal person or his limited liability as a shareholder to evade debts and thereby seriously harms the interests of our Company's creditors, such shareholder shall bear joint and several liability for the debts of our Company;
- (VI) other obligations imposed by laws, administrative regulations and the Articles of Association.

In addition to the obligations imposed by laws and administrative regulations or required by the listing rules of the stock exchange on which our Company's shares are listed, a controlling shareholder shall not exercise his voting rights in respect of the following matters in a manner prejudicial to the interests of all or part of the Shareholders of our Company:

- (I) to relieve a Director or Supervisor of his duty to act honestly in the best interests of our Company;
- (II) to approve the expropriation by a Director or Supervisor (for his own benefit or for the benefit of another person) of our Company's assets in any way, including (without limitation) opportunities which are beneficial to our Company;

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- (III) to approve the expropriation by a Director or Supervisor (for his own benefit or for the benefit of another person) of the individual rights of other shareholders, including (without limitation) rights to distributions and voting rights (save for our company restructuring which has been approved by the shareholders in a general meeting in accordance with the Articles of Association).

Where a Shareholder who holds 5% or more of the voting shares of our Company pledges the shares he holds, such Shareholder shall report in writing to our Company on the date on which the pledge happens.

The controlling shareholder and the de facto controller of our Company shall not take advantage of their affiliated relationship to harm the interests of our Company, and shall be held liable for damages if they cause any loss to our Company in violation of the preceding provisions.

“Controlling shareholder” referred to in the Articles of Association means a person who satisfies one of the following conditions:

- (I) a person who, acting alone or in concert with others, has the power to elect more than half members of the Board of Directors;
- (II) a person who, acting alone or in concert with others, has the power to exercise 30% or more of the voting right of our Company or control the exercise of 30% or more of the voting right of our Company;
- (III) a person who, acting alone or in concert with others, holds 30% or more of the outstanding shares of our Company;
- (IV) a person who, acting alone or in concert with others, has de facto control of our Company by any other means.

The phrase “acting in concert” referred to in this Article means two or more persons reaching an agreement (either orally or in writing), pursuant to which any one of them shall obtain voting rights of our Company for control or consolidation of control over our Company.

GENERAL MEETINGS

General Provisions for General Meetings

The general meeting of our Company is the organ of authority of our Company, which is comprised of all Shareholders of our Company. The general meeting shall exercise its powers in accordance with the laws, administrative regulations and the Articles of Association.

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The general meeting shall exercise the following functions and powers:

- (I) to decide the business operation guidelines and investment plans for our Company;
- (II) to elect and change Directors and Supervisors who are not employees' representatives, and decide on the remunerations of Directors and Supervisors;
- (III) to consider and approve reports of the Board of Directors and the Supervisory Committee;
- (IV) to consider and approve the annual financial budgets and final accounting proposals of our Company;
- (V) to consider and approve our Company's profit distribution plans and loss recovery plans;
- (VI) to resolve on the increase or reduction of the registered capital of our Company;
- (VII) to resolve on the issuance of bonds of our Company;
- (VIII) to resolve on matters such as the merger, division, dissolution, liquidation or change in the form of our Company;
- (IX) to amend the Articles of Association;
- (X) to determine the appointment, dismissal or non-reappointment of accounting firms;
- (XI) to consider proposals raised by shareholders who represent 3% or more of the total number of voting shares of our Company;
- (XII) to consider matters relating to the purchase and disposal of material assets by our Company, within one year and with value exceeding 30% of the latest audited total assets of our Company;
- (XIII) to consider share incentive schemes;
- (XIV) other matters required to be resolved by the general meeting pursuant to laws, administrative regulations and the Articles of Association;
- (XV) other matters required by the listing rules of the stock exchange where the shares of our Company are listed.

The abovementioned functions and powers of the general meeting may not be exercised by the Board of Directors or other bodies and individuals on its behalf by delegation.

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The guarantee offered by our Company to a shareholder or de facto controller of our Company shall be resolved by the general meeting.

When the general meeting is considering a proposal to provide guarantee for any shareholder, de facto controller and its affiliates, such shareholder or the shareholder controlled by the de facto controller shall abstain from voting on the proposal, and the proposal shall be subject to approval by more than half of the voting rights of the other shareholders attending the general meeting.

If any Director, general manager or other senior management officer violates the approval authority and review procedures on external guarantees specified in the laws, administrative regulations or the Articles of Association, the aforesaid person shall be liable for compensating our Company for any loss incurred thereto, and our Company may pursue action against the said person pursuant to law.

Our Company shall not enter into contracts with a party (other than a Director, Supervisor, the general manager and other senior management officer) in relation to handover of the administration of all business or the important business of our Company to that party without prior approval of the general meeting by special resolution.

General meetings consist of annual general meetings and extraordinary general meetings. The annual general meeting shall be held once every year within six months after the end of the previous financial year. Our Company shall convene an extraordinary general meeting within two months upon occurrence of the following events:

- (I) when the number of Directors is less than the statutory minimum number stipulated in the Company Law or two thirds of the number specified by the Articles of Association;
- (II) the unrecovered losses of our Company amount to one third of the total amount of its paid-up share capital;
- (III) when any shareholder severally or jointly holding 10% or more of the total voting shares of our Company requests in writing;
- (IV) the Board of Directors considers it necessary;
- (V) the Supervisory Committee proposes to convene such meeting;
- (VI) two or more Independent Directors propose to convene such meeting;
- (VII) any other circumstances stipulated in the laws, administrative regulations, departmental rules or the Articles of Association.

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Convening of General Meeting

For a Shareholder request to convene an extraordinary general meeting or a class meeting, the following procedures should be adopted:

Two or more shareholders holding 10% or more of our Company's shares, either individually or jointly, with voting rights in such proposed meeting, may sign one or several written requests with the same format and content and submit to the Board to request convening an extraordinary general meeting or a class meeting and explain the agenda for the meeting. The Board shall deliver written reply stating its agreement or disagreement for convening such extraordinary general meeting or class meeting as soon as possible upon receipt of the proposal. The number of shares for purpose of this paragraph shall be the number of shares held on the date on which the Shareholders put forward the written request.

Should the Board fail to issue a notice of such a meeting within 30 days from the date of receipt of the requisition(s), the Shareholders may submit in writing to the Supervisory Committee and convene an extraordinary general meeting or class meeting.

Should the Supervisory Committee fail to deliver the notice for convening a general meeting within 30 days from the date of receipt of the abovementioned notice, it shall be deemed to fail to convene and chair such general meeting and Shareholders who hold more than 10% or more of the shares with voting rights on such meeting to be convened, either individually or jointly, for a consecutive period of more than ninety days may convene on their own, and chair the meeting within 4 months of the receipt of the request by the Board. The procedures for convening shall be the same, to the greatest possible extent, as those for convening a general meeting by the Board.

Our Company shall be responsible for the reasonable fees incurred by the Shareholders in convening an extraordinary general meeting due to the failure of the Board to convene the meeting. Our Company shall deduct such fees from the amount owed by our Company to the Directors and Supervisors who have neglected their duties.

Proposals and Notices of General Meeting

When our Company convenes a general meeting, Shareholders holding 3% or more of our Company's voting shares shall have the right to put forward new proposals in writing to our Company and submit the same to the convener of a general meeting ten days prior to the meeting. The convener shall issue a supplementary notice of the general meeting within 2 days after receipt thereof, notify other Shareholders, and include the proposed matters which are within the power of the general meeting as matters to be considered at the general meeting.

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When our Company convenes a general meeting, it shall notify Shareholders the date and the place and the matters to be considered 20 days prior to the meeting. For an extraordinary general meeting, our Company shall notify Shareholders 15 days prior to the meeting. A notice given in respect of this article shall be given on the date on which our Company or the share registry appointed by our Company serves the notice on the postal authority for posting.

Unless otherwise provided in the Articles of Association, the notice of the general meeting shall be served on each Shareholder, whether or not entitled to vote thereat, by personal delivery or prepaid mail to the Shareholder at his/her address, as shown in the register of members. For holders of domestic shares, notices of the general meetings may be given by public announcement.

The public announcement referred to in the preceding paragraph shall be published in one or more newspapers designated by the securities authority of the State Council within the time limit specified in the first paragraph of this Article before the meeting is convened. Upon the publication of the announcement, all holders of domestic shares shall be deemed to have received the notice of the relevant general meeting.

The notice of the general meeting to the holders of overseas-listed foreign shares may be published through the websites of the Hong Kong Stock Exchange and our Company. Upon the publication of the announcement, all holders of overseas-listed foreign shares shall be deemed to have received the notice of the relevant general meeting.

A general meeting shall not make resolutions on matters not stated in the notice mentioned in the Article 75 and 76 of the Articles of the Associations.

Convening the General Meeting

The chairman of the Board shall preside as the chairman in the meeting convened by the Board. If the chairman of the Board cannot or fails to fulfill the duty thereof, the meeting shall be chaired by the Director elected by more than half of the Directors. If no chairman has been designated, the Shareholders attending the meeting may elect a person to act as the chairman; if failing such election for whatever reasons, the Shareholder with the greatest number of voting shares present at the meeting, whether in person or by proxy (except for recognised clearing houses and their agents), shall act as the chairman.

If the Board cannot or fails to fulfill the obligation to convene general meetings and the Supervisory Committee may in time convene and preside over the meeting on its own; if Supervisory Committee cannot or fails to convene or preside over the meeting, Shareholders (individually or jointly) holding not less than 10% for consecutive 90 days or more, may themselves convene such a meeting.

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In the event that the general meeting is convened by the Supervisory Committee, the meeting shall be presided by the chairman of the Supervisory Committee. Should the chairman of the Supervisory Committee be unable to perform or fail to perform his/her duties, the meeting shall be chaired by the Supervisor elected by more than half of the Supervisors.

In the meeting convened by Shareholders (individually or jointly) holding not less than 10% for consecutive 90 days or more, the convenor shall nominate a representative to chair the meeting.

When a general meeting is convened and in the event that the moderator of the meeting violates the rules of procedure causing the general meeting unable to be continued, a person may be elected as moderator to carry on with the meeting with the consent of Shareholders with more than half of the voting rights attending the general meeting. If, for any reason, the attending Shareholders fail to elect one to be the chairman, the attending Shareholder (or his/her proxy) who holds the most voting shares shall be the chairman of the meeting.

Voting and Resolutions of General meetings

Resolutions of general meeting can be classified into ordinary resolutions and special resolutions.

An ordinary resolution of a general meeting shall be passed with the adoption of Shareholders (including proxies) being present who represent more than half of the voting rights of the Shareholders (including proxies) being present.

A special resolution of a general meeting shall be passed with the adoption of Shareholders (including proxies) being present who represent more than two-thirds of the voting rights of the Shareholders (including proxies) being present.

Shareholders (including their proxies) attending the general meeting of the general meeting shall clearly vote for or against such resolution. If a Shareholder or his proxy casts abstention vote or abstains from voting, his vote shall not be counted in the voting results of our Company.

Shareholders (including proxies) shall exercise their voting rights at a general meeting based on the number of voting shares they represent, with one vote for each share. However, our Company's shares held by our Company have no voting right and such shares are not counted into the total number of voting shares of all the Shareholders present at the meeting.

Where any Shareholder is, under the applicable laws and regulations and the Listing Rules of the Hong Kong Stock Exchange, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such Shareholder in contravention of such requirement or restriction shall not be counted.

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Except for proposals in relation to procedural and administrative matters of the general meeting which can be voted upon by a show of hands as decided by the meeting chair in good faith, any voting at the general meeting shall be conducted by a poll.

A poll demanded on such matters as the election of chairman or the adjournment of the meeting shall be taken immediately. A poll demanded on any other matter shall be taken at such time as the chairman deems appropriate, and the meeting may proceed to discuss other matters. The results of the poll to be taken shall still be deemed to be a resolution passed at that meeting.

Shareholders who attend the meeting shall take one of the following stances when a proposal is put forward for voting: to vote for, vote against or abstain from voting e shall be regarded as having waived the voting rights. Any votes which are uncompleted, erroneously completed or illegible, or uncast votes shall be considered as an abstention of voting rights by the voter and the outcome of votes carried with the shares held by such voter shall be counted as "abstain from voting".

On a poll taken at a meeting, a Shareholder (including a proxy) entitled to two or more votes need not cast all his votes in the same way.

In the case of an equality of votes, whether by a show of hands or a vote, the chairman of the meeting shall have a casting vote.

The following matters shall be resolved by way of ordinary resolutions at a general meeting:

- (I) Work reports of the Board of Directors and the Supervisory Committee;
- (II) Plans for profit distribution and recovery of losses drafted by the Board of Directors;
- (III) Appointment or removal of members of the Board of Directors and the Supervisory Committee, and their remuneration and method of payment thereof;
- (IV) Our Company's annual financial budgets and final accounts, balance sheets, income statements and other financial statements;
- (V) Any matters other than those required by the laws, administrative regulations or the Articles of Association to be approved by special resolution.

The following matters shall be approved by special resolutions at a general meeting:

- (I) Increase or reduction of the share capital, and issue of any class of shares, warrants and other similar securities of our Company;
- (II) Issuance of debentures of our Company;

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

- (III) Demerger, merger, dissolution and liquidation of our Company;
- (IV) Change of corporate form of our Company;
- (V) Purchase or disposal of material assets or provision of guarantee by our Company within a year of a value exceeding 30% of our Company's latest audited total assets;
- (VI) Amendment to the Articles of Association;
- (VII) Share incentive plans to be considered and approved;
- (VIII) Repurchase of our Company's shares;
- (IX) Any other matters prescribed by the laws, administrative regulations or the Articles of Association, and those matters approved by ordinary resolution at a general meeting as having a material impact on our Company and are required to be approved by a special resolution;
- (X) Any other matters required by the Listing Rules of the Stock Exchange to be approved by special resolution.

Special Procedures for Voting by Class Shareholders

Shareholders holding different classes of shares are referred to as class Shareholders.

A class Shareholder shall enjoy rights and assume obligations in accordance with the laws, administrative regulations and the Articles of Association.

In addition to holders of other classes of shares, holders of domestic shares and overseas-listed foreign shares are deemed to be different classes of Shareholders. Where the share capital of our Company includes shares that do not carry voting rights, the words "non-voting" must appear on the name of such shares. Where the share capital includes shares with different voting rights, the name of each class of shares, other than those with the most favorable voting rights, must include the words "restricted voting" or "limited voting".

Rights conferred to class Shareholders may not be varied or abrogated unless approved by way of a special resolution at a general meeting and by the affected class Shareholders at a separate general meeting convened in accordance with Articles 104 to 108 hereof.

No approval by a general meeting or a class meeting is required for variation or abrogation of rights of class Shareholders resulting from any change in domestic and foreign laws and administrative regulations and listing rules where our Company's shares are listed, and the decisions made by domestic and foreign regulatory authorities in accordance with the laws.

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The transfer of domestic shares held by domestic Shareholders to overseas investors for listing and trading overseas shall not be considered as our Company's intention to vary or abrogate the rights of class Shareholders.

The following circumstances shall be deemed to be a variation or abrogation of the rights of Shareholders of a particular class:

- (I) To increase or decrease the number of shares of such class, or to increase or decrease the number of shares of a class having voting rights, distribution rights or other privileges equal or superior to the shares of such class;
- (II) To effect a change of all or part of the shares of such class into those of another class or to effect an exchange or create a right of exchange of all or part of the shares of another class into those of such class;
- (III) To remove or reduce the rights in respect to accrued dividends or the cumulative dividends attached to shares of such class;
- (IV) To reduce or remove the preferential rights attached to shares of such class to receive dividends or to the distribution of assets in the event that our Company is liquidated;
- (V) To add, remove or reduce the share conversion rights, options, voting rights, transfer rights, pre-emptive rights or rights to acquire securities of our Company attached to shares of such class;
- (VI) To remove or reduce the rights to receive payables from our Company in a particular currency attached to shares of such class;
- (VII) To create a new class of shares with voting right, distribution right or other privileges equal or superior to those of the shares of such class;
- (VIII) To restrict the transfer or ownership of shares of such class or to impose additional restrictions thereto;
- (IX) To grant the right to subscribe for, or convert into, shares of such or another class;
- (X) To increase the rights and privileges of shares of another class;
- (XI) To make a restructuring scheme which will result in the holders of different classes of shares bearing a disproportionate burden of obligations under such restructuring;
- (XII) To vary or abrogate any provision of this Chapter.

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Shareholders of the affected class, whether or not otherwise entitled to vote at the general meetings, shall nevertheless be entitled to vote at class meetings in respect to matters concerning sub-paragraphs (II) to (VIII), (XI) and (XII) of Article 103 hereof, but the interested Shareholder(s) shall not be entitled to vote at class meetings.

“Interested Shareholder(s)” mentioned in the preceding paragraph means:

- (I) In the case of a repurchase of shares by our Company by pro rata offers to all Shareholders or by way of on-market dealing on Hong Kong Stock Exchange under Article 33 hereof, a “Controlling Shareholder” as defined in Article 68 hereof;
- (II) In the case of a repurchase of shares by our Company outside the Hong Kong Stock Exchange by way of agreement under Article 33 hereof, a Shareholder who is related to the agreement;
- (III) In the case of a restructuring of our Company, a Shareholder within a class who bears less than a proportionate liability than other Shareholders of such class or who has an interest different from those of other Shareholders of such class.

Resolutions of a class meeting shall be passed by Shareholders present at the meeting representing two-thirds or more of the voting rights in accordance with Article 104 hereof.

In the event that our Company convenes a class meeting, the period for issuing a written notice shall be the same as that for the non-class meeting to be held on the same day as the class meeting. The written notice shall be issued to Shareholders whose names appear on the register of members, specifying the matters proposed to be considered and the date and place of the meeting. When calculating the required time periods mentioned above, the date of the meeting shall not be included.

If the listing rules of the stock exchange where our Company’s shares are listed have specific provisions, such provisions shall be complied with.

The quorum for each meeting (other than an adjournment) of members of any class convened to consider amending the right of any class of shares shall be the holders of at least one-third of the issued shares in that class.

The notice of the class meeting shall only be served to Shareholders entitled to vote thereat.

A class meeting shall be held under procedures as similar as possible to a general meeting. The provisions of the Articles of Associations which relate to the convening of general meetings shall apply to class meetings.

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In addition to holders of other classes of shares, holders of domestic shares and overseas-listed foreign shares are deemed to be different classes of Shareholders. The special voting procedures for class meetings shall not apply to the following circumstances:

- (I) Where our Company issues, upon approval by a special resolution of its Shareholders in a general meeting, either separately or concurrently every 12 months, not more than 20% of each of the existing issued domestic shares and overseas-listed foreign shares;
- (II) Where our Company's plan to issue domestic shares and overseas-listed foreign shares at the time of its establishment is implemented within 15 months from the date of approval by the securities regulatory authority of the State Council or before the deadline specified in the approval documents thereof;
- (III) Where holders of domestic shares of our Company transfer the shares held by them to overseas investors, or they are allowed to convert their shares into overseas listed shares, and such transferred shares are listed or traded on an overseas stock exchange, upon the approval by the securities regulatory authority of the State Council.

DIRECTORS AND BOARD OF DIRECTORS

Directors

Directors shall be elected or replaced at the general meetings for a term of 3 years. Upon maturity of the term of office, a Director shall be eligible to offer himself for re-election and re-appointment, but shall not exceed 6 years, unless otherwise provided by relevant laws, regulations and the listing rules of the stock exchange where our Company's shares are listed.

Subject to the relevant laws and administrative regulations, a Director may be removed by an ordinary resolution in a general meeting, before the expiration of his term of office (but without prejudice to any claim which such Director may here for damages under any contract). A Director may resign before expiration of his term of office.

The resigning Director shall submit a written resignation to the Board of Directors. The Board of Directors shall make relevant disclosure within 2 days upon receipt of such resignation.

In the event that the resignation of any Director results in the number of members of the Board of Directors to be less than the statutory minimum requirement, the said Director shall continue to perform duties as Director pursuant to the laws, administrative regulations, departmental rules and the Articles of Association until a new Director is elected and assumes his/her office. The re-elected Directors shall have the same term of office as the original Board of Directors.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

Save for the circumstances referenced in the preceding paragraph, the resignation of a Director shall become effective upon submission of his resignation to the Board of Directors.

Subject to the relevant laws and regulations, and the regulatory rules of the local authority where our Company's shares are listed, any person appointed by the Board to fill a casual vacancy on the Board or as an addition to the Board shall hold office only until the next annual general meeting of our Company and shall then be eligible for re-election.

When a Director's resignation becomes effective or his term of office expires, he shall duly carry out all handover procedures with the Board of Directors. His fiduciary obligations to our Company and Shareholders shall not necessarily terminate from the end of his term of office, and shall remain effective within a reasonable period as specified in the Articles of Association.

If any Director fails to attend in person or appoint other Directors as his/her representative to attend meetings of the Board of Directors for two consecutive times, such Director shall be deemed to have failed to perform his duties, and the Board of Directors shall propose to replace such Director at the general meeting.

Our Company shall have independent non-executive Directors. Except as otherwise provided by this section, the provisions relating to the qualifications and obligations of Directors in Chapter 14 of the Articles of Association shall apply to independent non-executive Directors.

Independent non-executive Directors shall have sufficient industry or professional experience to perform their duties, and perform their duties honestly and faithfully, safeguard our Company's interest and in particular, preventing encroachment of the lawful rights and interests of public Shareholders, so as to ensure the sufficient representation of the interests of all Shareholders.

Prior to the expiration of his term of office, any Director who has withdrawn from his office without permission, or who violates any laws, administrative regulations, departmental rules or the Articles of Association or during the course of performing his duties, and Company suffers only loss, such Director shall be liable for compensation of such loss.

No Director shall act on behalf of our Company or the Board of Directors in his personal capacity, unless specified under the Articles of Association or legally authorised by the Board of Directors. In the event that a Director is acting in his personal capacity, but may be reasonably deemed to be acting on the behalf of our Company or the Board of Directors by a third party, such Director shall state his stance and capacity in advance.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

Board of Directors

Our Company shall establish a Board of Directors, which shall comprise 8 Directors, including 1 staff representative. The Board of Directors shall have one chairman. The chairman of the Board of Directors shall be elected or removed by more than one half of all Directors, and has a term of office of 3 years and is renewable upon re-election.

Subject to the relevant laws and administrative regulations, a Director may be removed by an ordinary resolution in a general meeting, before the expiration of his term of office (but without prejudice to any claim which such Director may here for damages under any contract).

The number of independent Directors, at all times, shall not be less than 3 and shall represent 1/3 or above of the Board of Directors. At least one of them shall have appropriate professional qualifications, or accounting or related financial management expertise. The term of office of an independent non-executive Director shall be 3 years and is renewable upon re-election, but shall not exceed 9 years, unless otherwise provided by relevant laws, regulations and the listing rules of the stock exchange where our Company's shares are listed.

The general manager or other senior management officers may concurrently serve as a Director, provided that the aggregate number of the Directors who concurrently serve as general manager or other senior management officers shall not exceed 1/2 of the total number of Directors of our Company.

The number of senior management officers of the Controlling Shareholder concurrently holding the office of the chairman or executive Director of our Company shall not exceed 2.

A Director is not required to hold any shares of our Company.

The Board of Directors shall be responsible to general meetings and exercise the following functions and powers:

- (I) convene the general meeting and report to the general meeting;
- (II) To implement the resolutions adopted at general meetings;
- (III) To decide on our Company's business plans and investment plans;
- (IV) To formulate our Company's annual financial budgets and accounts;
- (V) To formulate our Company's proposals on profit distribution and plan for recovery of losses;
- (VI) To formulate proposals for increases or reductions of our Company's registered capital and proposals for the issue and listing of corporate debentures or other securities;

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

- (VII) To formulate plans for material asset acquisition or disposal, acquisition of our Company's shares, or merger, demerger, dissolution and change of corporate formation of our Company;
- (VIII) To decide, within the scope authorised by the general meeting, our Company's overseas investment, purchase and sale of assets, asset mortgage, external guarantee, entrusted wealth management, related transactions and other matters;
- (IX) To decide on the establishment of our Company's internal management structure;
- (X) To appoint or dismiss our Company's general manager or Board secretary; and to appoint or dismiss other senior management officers of our Company, such as the vice general manager and chief financial officer pursuant to the nomination of the general manager, and determine their remunerations, rewards and punishments;
- (XI) To formulate our Company's basic management system;
- (XII) To formulate proposals for amendment to the Articles of Association;
- (XIII) To manage the disclosure of our Company's information;
- (XIV) To propose to general meeting the appointment or change of auditors engaged in auditing businesses of our Company;
- (XV) To listen to work reports from our Company's senior management officers and examine their work;
- (XVI) To decide on matters such as investments, acquisitions or disposals of assets, financing and connected transactions that require decisions to be made by the Board of Directors in accordance with the Listing Rules;
- (XVII) To exercise other functions and powers conferred by laws, administrative regulations, department rules or the Articles of Association.

Matters beyond the authorization of the general meeting shall be submitted at the general meeting for approval.

When deciding major issues of our Company, the Board of Directors shall solicit the opinions of the Party Committee of our Company in advance.

Meetings of the Board shall be held at least 4 times every year and convened by the chairman of the Board. Notice of the meeting shall be served on all of the Directors and Supervisors 14 days before the date of the meeting.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

In case of any urgent matters, the following persons can propose to convene an interim Board meeting: The chairman of the Board of Directors shall convene a Board meeting within ten days and preside it:

- (I) When proposed by more than one-tenth of the Shareholders with voting rights;
- (II) When proposed by one-third or more of the Directors;
- (III) When proposed by the chairman of the Board of Directors;
- (IV) When proposed by two or more independent Directors;
- (V) When proposed by the Supervisory Committee;
- (VI) When proposed by the general manager;
- (VII) Any other circumstances stipulated in the Articles of Association.

Notice shall be given to all Directors, Supervisors and the general manager 14 days prior to a regular Board meeting, and a reasonable period (no less than 5 days) prior to an interim Board meeting. The responsible body of our Company shall serve a written notice of the meeting to all Directors, Supervisors and the general manager by direct delivery, fax, express mail service or other means of electronic communication. Notices that are not served by hand shall be confirmed by telephone and record should be made accordingly.

With the consent of all the Directors and Supervisors, the provisions on the time limit for notification of Board meetings may be exempted from execution.

In case of emergency and an interim Board meeting is required to be convened as soon as possible, the notice of meeting may be given by telephone or by other verbal means at any time, but the convener shall provide an explanation at the meeting.

The notice of a Board meeting shall include the following:

- (I) The date and venue of the meeting;
- (II) The duration of the meeting;
- (III) Reasons and subjects of the meeting;
- (IV) The issuance date of the notice;
- (V) Other necessary contents.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

A notice of meeting shall be deemed to have been served on a Director who is present at a meeting and who has not, before or during the meeting, raised the fact that he has not received a notice of the meeting.

The regular or the extraordinary meetings of the Board may be conducted through conference call or any other similar communication facility provided that the Directors can hear each other distinctly and that they can communicate. All the Directors present at such kind of meeting shall be deemed as having attended the meeting in person.

Meetings of the Board of Directors shall be held only if more than half of the Directors are present.

Each Director shall have one vote. Except as otherwise required by laws, administrative rules and regulations, the Board may pass resolutions only upon a majority vote of all the Shareholders attended in the meeting.

The meeting can effectively convene when more than half of the unconnected Directors attend, and the resolution shall be approved by votes from more than half of the unconnected Directors. Should there be fewer than three (3) unconnected Directors at the Board meeting, the item shall be submitted for consideration at the general meeting.

Where the number of votes cast for and against a resolution are equal, the chairman of the Board of Directors shall have a casting vote.

Directors shall attend a Board meeting in person. If Directors are unable to attend the meeting due to certain reasons, they may authorize other Directors in writing to attend the meeting on their behalf. A letter of authorization shall indicate the name of representative, matters of representation, scope of authorization and effective period, and under the signature or seal of the consignor.

The appointed Director attending the meeting shall exercise the rights of a Director within the scope of authorization. If a Director does not attend a Board meeting, and does not authorize any representatives to attend the meeting, he shall be deemed to have waived the voting right in the meeting.

In relation to important matters that are to be determined by the Board, notices of meetings, together with sufficient information, must be served on all the Directors within the time limit set out in the Articles of Association and in strict compliance with the required procedures. Directors may demand further information. If more than one-quarter of the Directors or more than two external Directors consider that the information required for the matters to be resolved is not sufficient or that proper judgement cannot be reached on the matters in issue for other reasons, they may jointly propose a postponement of the Board meeting or of the deliberation of some of the matters to be considered by the Board, and such proposal shall be accepted by the Board.

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The Board may accept that a written resolution can be circulated instead of convening a meeting. However, the draft of the resolution shall be delivered to each Director by hand, by mail, by fax or by email. If the Board has circulated the resolution to all Directors and the number of Directors who have signed the resolution to show their agreement has reached the quorum for making a decision, and also the resolution so passed shall, upon being delivered to the secretary to the Board, become a resolution of the Board with the same legal effect as a resolution passed on a Board meeting convened in accordance with the relevant provisions of the Articles of Association.

The Board shall keep minutes of resolutions on matters discussed at meetings. The minutes shall be signed by the Directors, the secretary to the Board and the minute taker present at the meeting.

The Directors shall be liable for the resolutions of the Board. If a resolution of the Board violates the laws, administrative regulations, the Articles of Association, resulting in serious losses to our Company, the Directors involved in approving the resolution are liable to compensate our Company. However, if it can be proven that a Director expressly objected to the resolution during voting and that such objection is recorded in the minutes of the meeting, such Director may be released from such liability.

Secretary to the Board and Senior Management Officers

Secretary to the Board

Our Company shall have one (1) secretary to the Board who shall be appointed or dismissed by the Board. The secretary to the Board is a senior management officer and is accountable to our Company and the Board and shall perform his duties faithfully and diligently.

The secretary of the Board of Directors shall abide by the relevant provisions of laws, administrative regulations, departmental rules and the articles of association.

The secretary to the Board shall have acquired requisite professional knowledge and experience. He shall be appointed or dismissed by the Board of Directors and the major duties of whom include:

- (I) to ensure that the constitutional documents and records of our Company are complete; to maintain and manage Shareholders' information; to assist the Directors in dealing with daily work of the Board; to inform, remind Directors of and ensure the Directors to be acquainted with the laws, administrative regulations, policies and requirements by relevant regulatory authorities regarding our Company's operations; to assist Directors and general manager in abiding by laws, administrative regulations, departmental rules and the Articles of Association in their exercise of authority and functions;

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

- (II) to be responsible for the organization and preparation works for the Board of Directors, shareholders' general meeting, meeting records, minutes of meetings, to ensure the resolutions reached at these meetings comply with the legal procedures, to be well informed about the execution of the Board resolutions and to advise Directors on important issues encountered in the execution;

- (III) as a contact point between our Company and securities regulators, to be responsible for the organization, preparation and timely submission of the reports and files requested by the securities regulators; to be acknowledged of and complete the relevant requirements stipulated by the securities regulators;

- (IV) to coordinate and arrange the disclosure of the information of our Company; to establish a sound disclosure system; to attend the meetings relating to the disclosure; and to be promptly aware of the material business operating decisions of our Company and other relevant information;

- (V) to ensure that our Company's registers of members are properly maintained, and that persons who are entitled to receive the relevant records and documents of our Company receive the relevant records and documents in a timely manner;

- (VI) to perform such other duties and exercise such other powers as may be conferred by the Board, laws and regulations and the stock exchange on which the shares of our Company are listed.

A Director or any other senior management of our Company may concurrently serve as secretary to the Board. The accountant whose firm is engaged by our Company and management executives acting on behalf of the Controlling Shareholder shall not serve as secretary to the Board.

In the case of the secretary to the Board being a Director, this person shall not act in both capacities when an action requires efforts to be made separately by a Director and a secretary to the Board.

Senior Management Officers

Our Company shall have one (1) general manager who shall be appointed or dismissed by the Board of Directors.

Our Company shall have several deputy general managers and one (1) financial controller, both of whom shall be nominated by the general manager and shall be appointed or dismissed by the Board.

A Director may concurrently serve as the general manager and a deputy general manager.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

The general manager has a term of office of 3 years and may serve successive terms upon reappointment.

The general manager shall be accountable to the Board of Directors, and has duties and powers listed below:

- (I) to be in charge of our Company's operation and management, to organize the implementation of the resolutions of the Board and Company, and report to the Board of Directors;
- (II) to arrange proper resources to implement our Company's annual business plans and investment plans;
- (III) to draft internal management organization plans of our Company;
- (IV) to draft our Company's basic management system;
- (V) to formulate basic rules and regulations for our Company;
- (VI) to propose the appointment or dismissal of our Company's vice-general manager(s) and the chief financial officer;
- (VII) to appoint or dismiss management personnel other than those required to be appointed or dismissed by the Board; and
- (VIII) to exercise other powers conferred by the Articles of Association and the Board.

The general manager shall attend Board meetings and, if the general manager is not a Director, he shall not have voting right thereon.

In the exercise of his powers, the general manager, vice general managers, financial controller and other senior management officers shall comply with the laws, administrative regulations and the Articles of Association, and fulfil his duties in good faith and with due diligence.

Supervisors and Supervisory Committee

Our Company shall have a Supervisory Committee.

The Supervisory Committee shall consist of three Supervisors including one staff representative Supervisor, among whom one shall act as the chairman of the Supervisory Committee. The appointment or the dismissal of the chairman of the Supervisory Committee shall be passed by more than two-third (2/3) of the members of the Supervisory Committee.

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The term of office of a Supervisor shall be three years, being renewable upon re-election and re-appointment.

The Supervisory Committee shall be comprised of shareholder representatives and staff representatives. Staff representatives shall comprise not lower than one-third of all members of the Supervisory Committee. Shareholder representatives shall be elected and dismissed by the shareholders' meeting, while the staff representative Supervisor shall be elected by the employee representatives' meeting or employees' general meeting or other democratic elections.

Directors and senior management officers of our Company shall not concurrently serve as Supervisors.

The Supervisory Committee shall convene a meeting at least once every six months. The meetings shall be convened by the chairman of the Supervisory Committee. In the event that the chairman of the Supervisory Committee is incapable of performing or fails to perform his duties, a Supervisor jointly recommended by half or above of the Supervisors shall be appointed to convene and preside. Supervisors may propose to convene extraordinary meetings of the Supervisory Committee.

Resolutions of the Supervisory Committee shall be passed by more than half of the members of the Supervisory Committee.

In convening the regular or extraordinary meetings of the Supervisory Committee, the members of the Supervisory Committee shall give the written notice of the meeting to all Supervisors by hand, fax, e-mail or other means within a reasonable period. If the notice is not delivered by hand, a subsequent telephone call shall be made for confirmation and corresponding records shall be made.

In case of urgency and an extraordinary meeting of the Supervisory Committee is required to be convened as soon as possible, the notice of meeting maybe delivered by telephone or by other verbal means at any time, but the convener shall make explanations at the meeting.

The Supervisory Committee shall be accountable to the general meetings and shall exercise the following duties and powers in accordance with law:

- (I) to inspect the financials of our Company;

- (II) to supervise conducts of our Company's Directors and senior management officers during the performance of their duties, and shall make recommendations for removal of any of them for any violation of the law, rules and regulations or Articles of Association of our Company;

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

- (III) to request our Company's Directors or other senior management officers to rectify any act that is harmful to the interest of our Company;
- (IV) to review our Company's financial position;
- (V) to review financial information such as financial reports, operation reports and profit distribution plans to be submitted by the Board of Directors to the general meetings; to conduct investigation if there is any doubt in our company's operations and engage certified public accountants and practicing auditors in the name of our Company to assist their review if necessary;
- (VI) to propose the convening of an extraordinary general meeting and convene and preside over the shareholders' general meeting when the Board of Directors fails to perform such duties specified under the Company Law;
- (VII) to submit proposals to the shareholders' general meeting;
- (VIII) to propose convening of an extraordinary Board meeting;
- (IX) to bring an action against a Director and senior management officer in accordance with the Company Law;
- (X) to exercise other functions and powers specified in the Articles of Association;

Supervisors shall attend the Board meetings.

The method for resolving matters by the Supervisory Committee: resolutions of the Supervisory Committee shall be made by way of voting with one vote for each Supervisor in the manner of open and written ballot.

Resolutions of the Supervisory Committee shall be passed by the affirmative votes of two thirds or more of the members of Supervisory Committee. The Supervisory Committee shall keep minutes of resolutions on matters discussed at the meeting, and the attending Supervisors shall sign on the minutes of the meeting.

In the event that the Supervisory Committee discovers any unusual operation of our Company, it may conduct an investigation and, when necessary, may engage professionals, such as lawyers and accounting firms, to assist in its work. Any reasonable expenses incurred thereby shall be borne by our Company.

A Supervisor shall carry out his Supervisory duties honestly and faithfully in accordance with the law, administrative regulations and the Articles of Association.

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Qualifications and Obligations of Directors, Supervisors and Senior Management Officers of our Company

The following persons may not serve as a Director, Supervisor, the general manager, or other senior management officer of our Company:

- (I) a person without or with limited capacity for civil conduct;
- (II) a person who has been sentenced for corruption, bribery, infringement of property misappropriation of property or damaging the social economic order, where less than 5 years have elapsed since the sentence was served, or who has been deprived of his political rights due to criminal offense, where less than 5 years have elapsed since the sentence was served;
- (III) a person who is a former Director, factory manager or manager of a company or enterprise which has become insolvent and has been liquidated and who is personally liable for the insolvency of such company or enterprise, and where less than 3 years have elapsed since the date of completion of the insolvency and liquidation of such company or enterprise;
- (IV) a person who is a former legal representative of a company or enterprise the business license of which was revoked and ordered to close down due to violation of law and who is personally liable for such violation, where less than 3 years have elapsed since the date of the revocation of business license of such company or enterprise;
- (V) a person who has relatively large amounts of debts which have become overdue;
- (VI) a person who is currently under investigation by the judicial authorities for violation of criminal law, and the legal procedures are pending;
- (VII) a person who, according to law and administrative regulations, is not permitted to be the leader of an enterprise;
- (VIII) a person who is not a natural person;
- (IX) a person who has been convicted by the competent authority for violation of relevant securities regulations and such conviction involves a finding that such person has acted fraudulently or dishonestly, where less than 5 years have elapsed since the date of such conviction; and
- (X) other cases specified by the laws, regulations, relevant securities regulatory authorities or rules imposed by the place of listing of our Company.

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The validity of an act carried out by a Director or other senior management officer on behalf of our Company as against a bona fide third party shall not be affected by any irregularity in his employment, election or qualification.

There is no provision in the Articles of Association regarding retirement or non-retirement of Directors under an age limit.

In addition to obligations imposed by laws, administrative regulations or required by the listing rules of the stock exchanges on which our Company's shares are listed, our Company's Directors, Supervisors and senior management officers has the following obligations in the exercise of the functions and powers of our Company:

- (I) not to cause our Company to exceed the scope of the business stipulated in its business license;
- (II) to act honestly in the best interest of our Company;
- (III) not to expropriate in any manner our Company's property, including but not limit to usurpation of opportunities advantageous to our Company;
- (IV) not to expropriate the individual rights of Shareholders, including but not limit to rights to distribution and voting rights, except pursuant to are structuring of our Company submitted to Shareholders for approval in accordance with the articles of association.

Our Company's Directors, Supervisors and senior management officers owes a duty, in the exercise of their powers and discharge of their duties, to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Each of our Company's Directors, Supervisors and senior management officers shall perform his duties on the principle of fiduciary responsibility, and shall not put himself in a position where his interests and his duties may conflict. This principle includes (but is not limited to) discharging the following obligations:

- (I) to act bona fide in the best interests of our Company;
- (II) to exercise his powers within his terms of reference and not to act ultra vires;
- (III) to exercise the discretion vested in him personally and not to allow himself to act under the control of any other party; and unless permitted by laws, administrative regulations or with the informed consent of the Shareholders given in a general meeting, not to delegate the exercise of his discretion;
- (IV) to treat Shareholders of the same class equally and to treat Shareholders of different classes fairly;

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- (V) unless otherwise provided in the Articles of Association or except with the informed consent of the Shareholders given in a general meeting, not to enter into any contract, transaction or arrangement with our Company;
- (VI) not to use our Company's property in any way for his own benefit without the informed consent of the Shareholders given in a general meeting;
- (VII) not to exploit his position to accept bribes or to obtain other illegal income, expropriate our Company's property in any way, including (but not limited to) opportunities beneficial to our Company;
- (VIII) not to accept commissions in connection with our Company's transactions without the informed consent of the Shareholders given in a general meeting;
- (IX) to comply with the Articles of Association, perform his duties faithfully, protect our Company's interests and not to exploit his position and power in our Company for his own benefit;
- (X) not to compete with our Company in any way without the informed consent of the Shareholders given in a general meeting;
- (XI) not to misappropriate our Company's funds, not to open any account in his own name or in any other name for the deposit of our Company's assets or funds, not to violate the provisions of the Articles of Association by lending our Company's funds to others or using such assets to provide guarantee for the debts of Shareholders of our Company or other individuals without the consent of the Shareholders given at a general meeting or the consent of the Board of Directors;
- (XII) not to disclose any confidential information in relation to our Company which he has obtained during his term of office without the informed consent of the Shareholders given at a general meeting; nor shall he use such information other than for our Company's benefit, save that disclosure of such information to the court or other governmental authorities is permitted if:
 - 1. the law so requires;
 - 2. public interest so warrants;
 - 3. the interests of the relevant Director, Supervisor, general manager and senior management officers so requires.

Any gain arising from the breach of this Article by the personnel mentioned in this Article shall belong to our Company. Such personnel shall be liable for compensation for any loss of our Company arising therefrom.

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Each Director, Supervisor or other senior management officer of our Company shall not direct the following persons or institutions ("related parties") to do anything that is not permitted:

- (I) the spouse or minor child of our Company's Director, Supervisor or other senior management officer;
- (II) the trustee of our Company's Director, Supervisor or other senior management officer or any person referred to in sub-paragraph (I) of this Article;
- (III) the partner of our Company's Director, Supervisor or other senior management officer or any person referred to in sub-paragraphs (I) and (II) of this Article;
- (IV) a company in which our Company's Director, Supervisor or senior management officer, whether alone or jointly with the persons referred to in sub paragraphs (I), (II) or (III) of this Article or other Directors, Supervisors and senior management officers of our Company, has de facto control; and
- (V) the Directors, Supervisors and senior management officers of the controlled company referred to in sub paragraph (IV) of this Article.

The fiduciary duties of a Director, Supervisor and senior management officers of our Company do not necessarily cease upon termination of their tenure. The duty of confidentiality in respect to trade secrets of our Company survives the termination of their tenures. Other duties may continue for such period as the principle of fairness may require, depending on the length of time that has elapsed between termination and the act concerned and the circumstances and terms under which their relationship with our Company have been terminated.

Except for circumstances prescribed in Article 65 hereof, a Director, Supervisor and senior management officers of our Company may be relieved of liability for specific breaches of his duty with the informed consent of the Shareholders given in a general meeting.

Where a Director, Supervisor or senior management officer of our Company is, directly or indirectly, materially interested in a contract, transaction or arrangement or proposed contract, transaction or arrangement with our Company (other than any employment contract between our Company and the Director, Supervisor or senior management officer), he shall disclose the nature and extent of his interest to the Board of Directors at the earliest opportunity, whether or not such matters are subject to the approval of the Board of Directors under normal circumstances.

Save as those exceptions specified by the Articles of Association and approved by the Stock Exchange, a Director shall not vote on any resolution of the Board of Directors approving any contract, transaction or arrangement or any other relevant proposal in which he or any of his close associates as defined under the Listing Rules, as amended or supplemented

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from time to time has a material interest nor shall he be counted in the quorum present at the meeting. Unless the interested Director, Supervisor, general manager or other senior management officer of our Company has disclosed his interest to the Board of Directors as required by the above paragraph of this Article and relevant matters have been approved by the Board of Directors at a meeting in which he was not counted in the quorum and has abstained from voting, the contract, transaction or arrangement is voidable at the instance of our Company except as against a bona fide party thereto who does not have notice of the breach of duty by the interested Director, Supervisor, general manager or other senior management officer.

A Director, Supervisor or senior management officer of our Company is deemed to be interested in a contract, transaction or arrangement in which his related party is interested.

Where a Director, Supervisor or senior management officer of our Company gives the Board of Directors a notice in writing stating that, by reason of the facts specified in the notice, he is interested in the contract, transaction or arrangement which may subsequently be made by our Company, such notice shall be deemed to be a disclosure for the purpose of the preceding Article of this section, so far as the content stated in such notice is concerned, provided that such notice shall have been given before the date on which the relevant contract conclusion, transaction or arrangement is first taken into consideration by our Company.

Our Company shall not in any manner pay taxes for its Directors, Supervisors or senior management officers.

Our Company shall not directly or indirectly make a loan to or provide any guarantee for a loan to a Director, Supervisor or senior management officer of our Company or its parent company or any of their respective related parties.

The foregoing provision shall not apply to the following circumstances:

- (I) The provision by our Company of a loan or a guarantee for a loan to its subsidiaries;
- (II) The provision by our Company of a loan or a guarantee for a loan or any other funds to any of its Directors, Supervisors or senior management officers pursuant to their employment contracts which were approved by the Shareholders in a general meeting for him to settle expenditures incurred by him for expenses incurred in performing his duties and responsibilities; and
- (III) If the ordinary scope of business of our Company includes the provision of loans or guarantees for loans, our Company may provide a loan or a guarantee for a loan to any of the relevant Directors, Supervisors, general managers or other senior management officers or their respective related parties, provided that the provision of loans or guarantees for loans is on normal commercial terms.

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A loan made by our Company in breach of the preceding Article shall be repayable forthwith by the recipient of the loan regardless of the terms of the loan.

A guarantee for a loan provided by our Company in breach of the first clause of Article 158 shall not be enforceable against our Company, unless

- (I) the lender was not aware of the relevant circumstances when he provided a loan to a related party of any of the Directors, Supervisors, general managers and senior management officers of our Company or its parent company; or
- (II) the collateral provided by our Company has already been lawfully disposed of by the lender to a bona fide purchaser.

For the purposes of the foregoing provisions, a "guarantee" includes an act of undertaking or property provided by the guarantor to secure the performance of obligations by the obligor.

Where a Director, Supervisor or senior management officer of our Company is in breach of his obligations owed to our Company, our Company has, in addition to any rights and remedies provided for in the laws and administrative regulations, the right to take the following measures:

- (I) to demand such Director, Supervisor or senior management officer compensate for losses sustained by our Company as a result of such breach;
- (II) to rescind any contract or transaction that has been entered into by our Company with such Director, Supervisor or senior management officer or with a third party (where such third party has known or should have known that such Director, Supervisor, general manager or other senior management officer that represents our Company has breached his duties owed to our Company);
- (III) to demand such Director, Supervisor or senior management officer to surrender profits obtained as a result of the breach of his obligations;
- (IV) to recover any monies received by the Director, Supervisor or senior management officer that should have been received by our Company, including (without limitation) commissions;
- (V) to demand the return of interest earned or which may have been earned by such Director, Supervisor or senior management officer on the monies that should have been paid to our Company; and
- (VI) to request for judgment through legal proceedings that the properties acquired by Directors, Supervisors and senior management officers through their breach of duties shall belong to our Company.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

Our Company shall, with the prior approval of Shareholders in a general meeting or by the Board of Directors, enter into a written contract with its Director Supervisor or senior management officer regarding his remuneration. The written contract shall include at least the following provisions:

- (I) an undertaking by the Director, Supervisor and senior management officer to our Company to observe the Company Law, the Special Regulations, the Articles of Association, the Code on Takeovers and Mergers and Share Buy-backs and other rules of the Stock Exchange, and a consent of the Director, Supervisor and senior management officer that our Company shall have the remedies provided in the Articles of Association, and that neither the contract nor his office is capable of assignment;
- (II) an undertaking by the Director, Supervisor and senior management officer to our Company to each shareholder to observe and perform his obligations in accordance with the Articles of Association; and
- (III) an arbitration clause as provided in Article 206.

The aforesaid emoluments include:

- (I) emoluments in respect to his service as Director, Supervisor or senior management officer of our Company;
- (II) emoluments in respect to his service as Director, Supervisor or senior management officer of any subsidiary of our Company; and
- (III) payment to the Director or Supervisor as compensation for loss of office or as consideration in connection with his retirement.

No proceedings may be brought by a Director or Supervisor against our Company for any benefit due to him in respect to the matters mentioned in this Article except pursuant to the contract mentioned above. Our Company shall, on a regular basis, disclose to Shareholders the remunerations obtained by the Directors, Supervisors and senior management officers from our Company.

The contracts entered into between our Company and its Directors or Supervisors concerning emoluments shall prescribe that in the event that our Company is being acquired, our Company's Directors and Supervisors shall, subject to the prior approval of Shareholders in a general meeting, have the right to receive compensation or other payment in respect to his loss of office or retirement. For the purposes of the preceding paragraph, the acquisition of our Company includes any of the following:

- (I) an offer made by any person to all Shareholders; or
- (II) an offer made by any person such that the offeror will become the Controlling Shareholder. The term "Controlling Shareholder" has the same meaning as defined in the Articles of Association.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

If the relevant Director or Supervisor does not comply with this Article, any sum received by him shall belong to those persons who have sold their shares as a result of the acceptance of such offer, and the expenses incurred in distributing that sum on a pro rata basis among those persons shall be borne by the relevant Director or Supervisor and shall not be deducted from the distributed sum.

Financial accounting system, profit distribution and audit

Financial accounting system

Our Company shall establish its financial and accounting system in accordance with the laws, administrative regulations and the provisions stipulated by the competent financial authority of the State Council.

Our Company shall adopt the Gregorian calendar year for its fiscal year, i.e. the fiscal year shall be from January 1 to December 31. Our Company uses RMB as the standard currency for its bookkeeping, and its accounts are recorded in Chinese. At the end of each fiscal year, our Company shall prepare a financial report which shall be audited by an accounting firm in accordance with the law.

The financial statements of our Company can, in addition to being prepared in accordance with the PRC accounting standards and regulations, be prepared in accordance with either international accounting standards or that of the overseas place where the shares are listed. If there is any material difference between the financial statements prepared respectively in accordance with the two accounting standards, such difference shall be made in the notes to financial statements.

When our Company is to distribute its after-tax profits of the relevant fiscal year, the lower of the after-tax profits as shown in the aforesaid two financial statements shall be adopted.

The Board of our Company shall submit to the Shareholders at every annual general meeting the financial reports prepared by our Company as required by the relevant laws, administrative regulations and regulatory documents promulgated by local government and competent authorities.

Our Company shall not keep any accounting books other than those specified by law. The assets of our Company shall not be deposited in any personal account.

Our Company's financial reports shall be made available for Shareholders' inspection at our Company 20 days before the date of every annual general meeting. Each Shareholder of our Company shall be entitled to obtain a copy of such financial reports referred to in this Chapter. The aforesaid financial report shall include the report of the Board and the balance sheet (including the documents required to be attached by applicable laws), profit and loss account or statement of income and expenditure, or the summary financial report.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

Our Company shall send such financial report to every shareholder by pre-paid post at the address of such shareholder as recorded in the register of members no less than 21 days before the date of the annual general meeting. Our Company can proceed by way of announcements, including announcement via our Company's website, on condition that such announcements are in compliance with the laws, administrative regulations, departmental rules and the relevant requirements of the securities regulatory body where our Company's shares are listed.

Our Company shall publish the financial reports twice in each fiscal year. Interim financial report shall be published within 60 days after the end of the first six months of a fiscal year, while the annual financial report shall be published within 120 days after the end of a fiscal year.

Any interim results or financial information published or disclosed by our Company must be prepared in accordance with the PRC accounting standards and regulations, and also in accordance with either international accounting standards or that of the overseas place where the Shares are listed.

Profit Distribution

When the current year's after-tax profits of our Company are distributed, our Company must allocate 10% of the profits to the statutory common reserve. When the total amount of the statutory common reserve reaches or exceeds 50% of our Company's registered capital, no more allocations need to be provided.

If the statutory common reserve of our Company is insufficient to make up the losses of our Company incurred during the previous year, the profits generated during the current year must be used to make up such losses before allocating to the statutory common reserve in accordance with the requirements set forth in the preceding paragraph.

After our Company makes the allocation from its after-tax profits to its statutory common reserve, our Company may, subject to a resolution at the shareholders' general meeting, make an allocation from its after-tax profits to the discretionary common reserve.

After making up for the losses and making allocations to the common reserve fund, any remaining after-tax profits shall be distributed by our Company to the shareholders in proportion to their respective shareholdings according to the resolutions adopted at the shareholders' general meeting.

If the shareholders' general meeting violates the provisions in the preceding paragraph and profits are distributed to the shareholders before our Company makes up losses or makes allocations to the statutory common reserve, the profits distributed in violation of the provisions must be returned by such shareholders to our Company.

The shares held by our Company shall not be subject to profit distribution.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

The capital common reserve shall include:

- (1) Premium arising from issue above the par value of the stock;
- (2) Other revenue required by the competent financial authority of the State Council to be stated as capital common reserve.

The reserve fund of our Company can be applied for making up for losses of our Company, expansion of our Company's production and operation or capitalization for capital increase of our Company, but the capital reserve fund cannot be applied for making up for losses of our Company.

Where the statutory common reserve is converted into capital, the balance of such reserve fund shall not fall below 25% of our Company's registered capital prior to such conversion.

Our Company may distribute dividends in the form of (or a combination of both):

- (1) cash;
- (2) shares.

Any amount paid up in advance of calls on any share may carry interest but shall not entitle the relevant shareholder to participate in respect thereof in a dividend subsequently declared.

Our Company shall appoint receiving agents on behalf of shareholders holding overseas-listed foreign shares. The receiving agents shall on behalf of such shareholders receive dividends distributed by our Company in respect of the overseas-listed foreign shares and other amounts payable, and such payment shall be kept by the receiving agents on such shareholders' behalf for any payment to them.

The receiving agents appointed by our Company shall comply with the relevant requirements of the law of the place and relevant regulations of the stock exchange where our Company's shares are listed.

The receiving agents appointed on behalf of holders of overseas-listed foreign shares listed in the Stock Exchange shall be a company registered as a trust company under the Trustee Ordinance of Hong Kong.

Subject to compliance with the relevant laws and regulations of the PRC, our Company may exercise its right to confiscate the dividends which are not claimed by anyone but such right can only be exercised in or after the sixth year after the date of declaring dividends.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

As for the dividend certificate sent by mail to the members, our Company is entitled to cease sending such dividend certificates after two consecutive failures of cashing after the posting of such dividend certificates. If the first dividend certificate fails to reach the members and is sent back, our Company is entitled to exercise such right.

Where power is taken to issue warrant to bearer, no new warrants shall be issued to replace one that has been lost, unless our Company is satisfied beyond reasonable doubt that the original has been destroyed.

Our Company may sell the shares of a shareholder of oversea listed foreign shares who is untraceable and keep the proceeds should the Board considered it fit for, but it must comply with the followings:

- (1) during a period of twelve years at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the shareholder; and
- (2) on expiry of the twelve years our Company gives notice of its intention to sell the shares by way of an advertisement published in one or more newspapers of the place where our Company is listed and notifies the stock exchange on which such shares are listed.

Our Company shall pay cash dividends and other payments which are payable to holders of Domestic Shares in RMB. Our Company shall calculate and declare cash dividends and other payments which are payable to holders of Overseas-Listed Foreign Shares in RMB, and shall make such payments in foreign currencies. As for the foreign currency needed by our Company for payment of cash dividends and other payments which are payable to the holders of the Overseas-Listed Foreign Shares, it shall be handled in accordance with any related national regulations on foreign exchange control.

Unless provided otherwise in any laws or administrative regulations, our Company shall adopt the average selling rates of the relevant foreign exchange as quoted by the People's Bank of China for the calendar week before the date on which the dividends and other payments are declared to calculate the dividends and other sums which are payable in foreign currencies.

Appointment of Accounting Firm

Our Company shall appoint an independent accounting firm under the relevant regulations of the State to audit our Company's annual financial statements and review our Company's other financial reports.

The first accounting firm of our Company may be appointed by the inaugural meeting prior to the first annual general meeting and the accounting firm so appointed shall hold office until the conclusion of the first annual general meeting.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

If the inaugural meeting fails to exercise its powers under the preceding paragraph, those powers shall be exercised by the Board.

The term of appointment of the accounting firm shall commence from the conclusion of the current annual general meeting and end at the conclusion of the next annual general meeting.

The accounting firm appointed by our Company shall have the following rights:

- (1) the right to review the books, records and vouchers of our Company at any time, the right to require the directors, managers or other senior management officers of our Company to provide relevant information and explanations;
- (2) the right to require our Company to take all reasonable steps to obtain from its subsidiaries such information and explanation as are necessary for the discharge of its duties;
- (3) the right to attend general meetings and to receive all notices of, and other communications relating to, any general meeting which any shareholder is entitled to receive, and to speak at any general meeting in relation to matters concerning its role as our Company's accounting firm.

Our Company shall provide the appointed accounting firm with true and complete accounting vouchers, accounting books, financial and accounting reports and other accounting information. Our Company shall not refuse to provide or hide the same or make false reports.

If there is a vacancy in the position of accounting firm of our Company, the Board of Directors may appoint an accounting firm to fill such vacancy before the convening of the shareholders' general meeting. Any other accounting firm which has been appointed by our Company may continue to perform its duties during the period in which a vacancy arises.

The shareholders in a general meeting may by ordinary resolution remove an accounting firm before the expiration of its term of office, notwithstanding the stipulations in the contract between our Company and the accounting firm, but without prejudice to the accounting firm's right to claim for damages in respect of such removal.

The remuneration of an accounting firm or the manner in which such remuneration is determined shall be decided by the shareholders' general meeting. The remuneration of an accounting firm appointed by the Board of Directors shall be determined by the Board of Directors.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

Our Company's appointment, removal and non-renewal of an accounting firm shall be resolved by the shareholders' general meeting. Such resolution shall be filed with the securities regulatory authority of the State Council. Prior to the removal or the non-renewal of the appointment of the accounting firm, an advance notice of such removal or non-renewal shall be given to the accounting firm and such firm has the right to state its opinions to the shareholders' general meeting.

Where a resolution at a shareholders' general meeting is passed to appoint an accounting firm other than the incumbent accounting firm to fill a casual vacancy in the office of accounting firm, to reappoint an accounting firm that was appointed by the Board of Directors to fill a casual vacancy, or to remove an accounting firm before the expiration of its term of office, the following provisions shall be fulfilled:

- (1) A copy of the appointment or removal proposal shall be sent (before notice of the shareholders' general meeting is given to the shareholders) to the accounting firm proposed to be appointed or proposed to leave its post or the accounting firm which has left its post in the relevant accounting year. Leaving includes leaving by removal, resignation and retirement.
- (2) If the accounting firm leaving its post makes representations in writing and requests our Company to notify its shareholders of such representations, our Company shall (unless the written representations are received too late) take the following measures:
 1. in any notice of meeting held for making the resolution, state the fact of the representations having been made by the leaving accounting firm;
 2. attach a copy of the representations to the notice and send it to each shareholder in the manner stipulated in the Articles of Association.
- (3) If our Company fails to send out the accounting firm's representations in the manner set out in subparagraph (2) of this Article, such accounting firm may require that the representations be read out at the shareholders' general meeting and may make further representations.
- (4) An accounting firm leaving its post shall be entitled to attend:
 1. the shareholders' general meeting at which its term of office would otherwise have expired;
 2. the shareholders' general meeting at which it is proposed to fill the vacancy caused by its removal;
 3. the shareholders' general meeting which is convened as a result of its resignation on its own accord.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

The accounting firm leaving its post shall be entitled to receive all notices of, and other communications relating to, such meetings, and to speak at such meetings in relation to matters concerning its role as the former accounting firm of our Company.

Prior to the removal or the non-renewal of the appointment of the accounting firm, an advance notice of such removal or non-renewal shall be given to the accounting firm and such firm has the right to state its opinions to the shareholders' general meeting. Where the accounting firm resigns its post, it shall make clear to the shareholders' general meeting whether there is any impropriety on the part of our Company.

The accounting firm may resign its office by depositing at our Company's legal address a written notice of resignation, which shall become effective on the date of such deposit or on such later date as may be stipulated in such notice. Such notice shall include the following statements:

- (1) a statement to the effect that there are no circumstances connected with its resignation which it considers shall be brought to the notice of the shareholders or creditors of our Company; or
- (2) a statement of any such circumstances that should be explained.

Our Company shall, within fourteen days after receipt of the written notice referred to in the preceding paragraph of the Article, send a copy of the notice to the relevant competent authority. If the notice contains a statement under the foresaid clause (2) of the Article, a copy of such statement shall be placed at our Company for shareholders' inspection and a copy of such statement should be sent by prepaid mail to every holder of overseas-listed foreign shares at the address registered in the register of shareholders.

Where the accounting firm's notice of resignation contains a statement of any circumstances that should be explained, the accounting firm may require the Board of Directors to convene an extraordinary general meeting for the purpose of giving an explanation of the circumstances connected with its resignation.

Notice and Announcement

Notices of our Company may be given in the following ways:

- (1) in person;
- (2) by mail;
- (3) by facsimile or e-mail;

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

- (4) subject to the laws, administrative regulations and listing rules of the stock exchange of the place where the shares of our Company are listed, by posting on the website designated by the Stock Exchange;
- (5) by way of announcements;
- (6) such ways as our Company or the notified party agreed in advance or any other way which is recognized by the notified party upon receipt of the notice;
- (7) other ways which are recognized by the relevant regulatory authorities of the place where the shares of our Company are listed or stipulated in the Articles of Association.

Unless the context otherwise specifies, the “announcements” used herein shall mean, with respect to announcements made to the shareholders of domestic shares or announcements that are required to be made within the PRC in accordance with relevant regulations and the Articles, the announcements published in Chinese newspapers designated by Chinese laws, administrative regulations or the securities regulatory authorities of the State Council. For notices issued by our Company to shareholders of overseas-listed foreign shares (by means of announcements), our Company shall on the same day submit an electronic version to the Stock Exchange through the Stock Exchange electronic publishing system for immediate release on the website of the Stock Exchange in accordance with the local listing rules, or publish an announcement on a newspaper (including publishing an advertisement on the newspaper) in accordance with the local listing rules. The announcement shall also be published on our Company’s website. In addition, unless otherwise specified in the Articles of Association, the notice must be delivered to each of the registered addresses as appeared in the register of shareholders of overseas-listed foreign shares in person or by pre- paid mail so as to give the shareholders sufficient notice and time to exercise their rights or act in accordance with the terms of the notice.

Shareholders of overseas-listed foreign shares of our Company may choose in writing to receive the corporate communication that our Company must send to shareholders either by e-mails or mails, and also choose to receive the Chinese language version only or the English language version only or both the English and Chinese language versions. They shall have the right at any time by reasonable prior written notice served on our Company to change their choices as to the manner of receiving the same and the language in accordance with applicable procedures.

Shareholders or directors who want to prove that certain notices, documents, information or written statements have been served on our Company shall provide evidential materials showing the same has been served on the correct address by ordinary means or by prepaid mail within the designated periods.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

Notwithstanding the aforesaid provision which specifies providing and/or dispatching written corporate communication to shareholders, for the purpose of the means by which our Company provides and/or dispatches its corporate communication to shareholders according to the Stock Exchange Listing Rules, if our Company has obtained shareholders' prior written consent or deemed consent according to the relevant laws and regulations and the Stock Exchange Listing Rules as amended from time to time, our Company may dispatch or provide corporate communication to its shareholders by electronic means or via its website. Corporate communication includes but not limited to circulars, annual reports, interim reports, quarterly reports, notices of shareholders' general meetings, and other types of corporate communication as specified in the Stock Exchange Listing Rules.

Unless otherwise stated in the Articles of Association, the various ways of sending notices specified in the preceding paragraph shall apply to the notices of the shareholders' general meetings, board meetings and the meetings of the Board of Supervisors convened by our Company.

When a notice from our Company is sent out in person, the recipient of the notice shall sign (or seal) on the return receipt of delivery and the date of the recipient's signature shall be deemed to be the delivery date; when the notice of our Company is sent out by mail, the delivery date shall be forty-eight hours after such notice is delivered to the post office; when the notice of our Company is sent out by facsimile or e-mail or published on website, the delivery date shall be the date when the facsimile or email is sent out; when the notice of our Company is sent out by announcement, the delivery date shall be the first date of publication of such announcement. Relevant announcements shall be published in newspapers that meet relevant requirements.

In the event that the listing rules of the stock exchanges where our Company's shares are listed stipulate that our Company shall send, post, distribute, issue, announce or otherwise provide relevant documents of our Company in English and Chinese, and if our Company has made appropriate arrangement to confirm whether the shareholders intend to receive either the English or the Chinese version, our Company may (as per the intent stated by the shareholders) only send the English version or the Chinese version to the shareholders concerned to the extent permitted by the applicable laws and regulations and the Articles of Association.

Merger, separation, dissolution and liquidation

Merger and separation

The merger and separation of our company shall be proposed by our company's board of directors, and after being approved in accordance with the procedures as stipulated in the articles of association, proceed the relevant review and approval procedures in accordance with the law. Shareholders who stand opposed against the proposal in respect of our company's merger and/or separation shall have the right to request our company or shareholders who give consent to such proposal to purchase the shares held by them at a fair price.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

The contents of the resolution in respect of our company's merger and/or separation shall be prepared into specific documents and made available for shareholders' inspection. In the case of a Hong Kong listed company, the aforesaid documents shall also be served by emails to its overseas listed foreign shareholders.

The company may conduct merger by way of absorption merger and establishment merger.

In our company's merger, each party thereto shall enter into a merger agreement and prepare balance sheet and property list. Our company shall inform its creditors within ten days as of the date on which the resolution of merger is made and publish it on newspaper within 30 days. The creditors, within 30 days upon receiving such notice, or in the case of failure of receipt within 45 days as of the date of announcement, may request our company to pay off its debts or provide corresponding guarantees.

After our company's merger, the credit rights and debts of each party thereto shall be succeeded by our company existing or newly established after the merger.

Where our company separates, its properties shall be split accordingly.

In our company's separation, each party thereto shall enter into a separation agreement and prepare balance sheet and property list. Our company shall inform its creditors within ten days as of the date on which the resolution of separation is made and publish it on newspaper within 30 days.

The debts of our company prior to the separation shall be jointly borne by our company after the separation. However, in the case of any written agreement in respect of debts settlement reached by and between our company and its creditors prior to the separation, such agreement shall prevail.

Where registration matters are changed due to our company's merger or separation, such changes shall be filed with our company's registration authority in accordance with the law. In the event of dissolution, our company shall proceed registration cancellation in accordance with the law, while in the case of establishment of new companies, our company shall proceed the establishment registration in accordance with the law.

Dissolution and liquidation

Our company shall dissolve and proceed liquidation in accordance with the law under any of the following circumstances:

- (1) its business terms expire and other dissolution matters as stipulated by the articles of association arise;
- (2) the general meeting decides to dissolve by special resolution;

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

- (3) our company needs to be dissolved due to merger or separation;
- (4) our company is unable to settle its debts as due and is announced by law bankruptcy;
- (5) its business permit is revoked and our company is ordered to be closed or cancelled;
- (6) our company encounters great difficulties in operation and management, in which case to exist will significantly harm the interests of shareholders yet there are no other ways to solve it, shareholders holding more than 10% of total voting rights in our company may apply to the people's court to dissolve our company.

Under the circumstance as stipulated in paragraph (1), our company may exist by revising its articles of association. When so revising the articles of association, relevant amendments shall be approved by more than two-thirds of the voting rights held by the shareholders present at the general meeting.

Where our company dissolves under the preceding paragraphs (1), (2), (5) and (6), a liquidation group shall be established within 15 days. Members of the liquidation group shall consist of directors or such persons as the general meeting may determine. In the case of overdue establishment, the creditors may apply to the people's court to appoint relevant persons to form the liquidation group.

Where our company dissolves under the preceding paragraph (4), the people's court may, in accordance with the applicable laws, organize shareholders, relevant authorities and relevant professionals to form the liquidation group.

If the board of directors decides to proceed liquidation (other than as a result of bankruptcy), it shall include a statement in the notice convening a general meeting for such purpose stating that, the board of directors has carried forward all-around investigations on our company's positions and is of the view that our company has the ability to pay off its debts in full within twelve months upon the commencement of the liquidation.

After the resolution of liquidation is approved at the general meeting, the duties and authorities of the board of directors of our company shall be terminated immediately.

The liquidation group shall follow the directions of the general meeting to report at least once every year to the general meeting on the revenue and expenses of the liquidation group, the businesses of our company and the progress of the liquidation, and make the final report to the general meeting at the end of the liquidation.

During the liquidation period, the liquidation committee shall exercise the following functions and powers:

- (1) to sort out our Company's assets and prepare a balance sheet and an inventory of assets respectively;
- (2) to notify creditors by notice or public announcements;

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

- (3) to dispose of and liquidate any unfinished businesses of our Company;
- (4) to pay outstanding taxes and taxes incurred during the liquidation process;
- (5) to settle claims and debts;
- (6) to deal with the remaining assets after our Company's debts having been settled in full;
- (7) to represent our Company in any civil proceedings.

The liquidation committee shall within 10 days of its establishment send a notice to creditors, and within 60 days of its establishment make a public announcement on a newspaper. The creditors may declare their claims to the liquidation committee within 30 days from the date they receive such notice or within 45 days from the date of announcement if no such notice is received.

When declaring the claims, the creditors shall specify the relevant matters about the claims and provide evidence. The liquidation committee shall register such claims. During the period of declaration of claims, the liquidation committee shall not repay any debts to the creditors.

The liquidation committee shall, after examining our Company's assets and preparing the balance sheets and an inventory of assets, formulate a liquidation plan and present it to the shareholders' general meeting or the relevant governing authority for confirmation.

The assets of our Company shall be applied for liquidation in the following order: payment of liquidation expenses, staff wages, social insurance expenses and statutory compensation, payment of outstanding taxes, and payment of our Company's debts.

The remaining assets of our Company after repayment of its debts in accordance with the preceding provision shall be distributed to the shareholders of our Company according to the class of shares held by them and in proportion to their respective shareholdings.

During the liquidation period, our Company continues to exist but shall not commence any business activities other than liquidation. No assets of our Company may be distributed to the shareholders before making repayments stipulated in the preceding paragraphs.

If the liquidation committee, having examined our Company's assets and having prepared a balance sheet and an inventory of assets, discovers that our Company's assets are insufficient to pay its debts in full, it shall immediately apply to the people's court for a declaration of insolvency.

After the people's court has declared our Company insolvent, the liquidation committee shall turn over any matters regarding the liquidation to the people's court.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

Following the completion of liquidation, the liquidation committee shall prepare a report on liquidation and a statement of the receipts and payments and financial books during the period of liquidation, which shall be examined and verified by the PRC certified public accountants and submitted to the shareholders' general meeting or the people's court for confirmation.

The liquidation committee shall within 30 days after such confirmation of the shareholders' general meeting or relevant governing authority, submit the preceding documents to our company registration authority and apply for cancellation of registration of our Company, and publish an announcement relating to the termination of our Company.

Amendments to the Articles of Association

Our Company may amend the Articles of Association according to the provisions of laws, administrative regulations and the Articles of Association. Our Company shall amend the Articles of Association in any of the following circumstances:

- (1) the provisions of the Articles of Association are in conflict with those of the Company Law or the relevant laws or administrative regulations following their amendment;
- (2) any change in the position of our Company, resulting in inconsistency with the records in the Articles of Association;
- (3) it is decided at the shareholders' meeting to amend the Articles of Association.

The following procedures shall be followed when amending the Articles of Association:

- (1) The Board of Directors shall firstly adopt a resolution for amendment to the Articles of Association and prepare a proposal for amendment to the Articles of Association;
- (2) The Board of Directors shall convene a shareholders' general meeting for voting on such proposal thereat;
- (3) The shareholders' general meeting shall approve such proposal by special resolution;
- (4) Our Company shall submit the amended Articles of Association to our company registration authority for record.

Amendment to the Articles of Association which involves the contents of the Mandatory Provisions shall become effective upon approval by the companies approving department authorized by the State Council and securities committee of the State Council. Where amendment involves the registered particulars of our Company, application shall be made for alteration of registration in accordance with the laws.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

Settlement of Disputes

Unless otherwise stipulated in the Article of Association, our Company shall act according to the following principles to settle disputes:

- (1) For any disputes or claims of rights between holders of overseas-listed foreign shares and our Company; between holders of overseas-listed foreign shares and the directors, supervisors, the president or other senior management officers of our Company; between holders of overseas-listed foreign shares and holders of domestic shares, that arise based on the rights and obligations stipulated in the Articles of Association, the PRC Company Law and other relevant laws and administrative regulations, any such disputes or claims of rights relevant to the affairs of our Company shall be referred by the relevant parties to arbitration.

Where the abovementioned dispute or claim of rights is referred to arbitration, it shall be the entire claim or dispute, and all persons (being our Company or shareholders, directors, supervisors, the president or other senior management officers of our Company), who have a cause of action based on the same facts giving rise to the dispute or claim of rights or whose participation is necessary for the resolution of such dispute or claim of rights, shall abide by arbitration.

Disputes regarding definition of shareholders and register of shareholders may be resolved other than by way of by arbitration.

- (2) The claimant may refer the arbitration to either the China International Economic and Trade Arbitration Commission in accordance with its arbitration rules or the Hong Kong International Arbitration Centre in accordance with its securities arbitration rules. Once a claimant refers a dispute or claim of rights to arbitration, the other party must submit to the arbitral body elected by the claimant.

If the claimant refers the arbitration to the Hong Kong International Arbitration Centre, either party may request the arbitration to be conducted in Shenzhen in accordance with the securities arbitration rules of the Hong Kong International Arbitration Centre.

- (3) If any disputes or claims of rights arising out of Item (1) above are settled by way of arbitration, the laws of the PRC shall apply, save as otherwise provided in laws and administrative regulations.
- (4) The decision made by the arbitral body shall be final and conclusive, and shall be binding on all parties.

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

1. FURTHER INFORMATION ABOUT OUR COMPANY

A. Incorporation

Our Company was established in Changzhou City, Jiangsu Province, the PRC as a limited liability company on December 8, 2015 with an initial registered capital of RMB4,000 million. On November 10, 2021, our Company was converted to a joint stock company with limited liability under the PRC Company Law. Accordingly, our corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. A summary of the relevant aspects of laws and regulations of the PRC and our Articles of Association is set out in Appendix IV and Appendix V to this document, respectively.

We have established a principal place of business in Hong Kong at 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong, and have been registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on January 24, 2022. Mr. Cheung Kai Cheong Willie has been appointed as our authorized representative for the acceptance of services of process and notices on behalf of our Company in Hong Kong.

B. Changes in the Share Capital of our Company

As of the date of our incorporation, our registered capital was RMB4,000 million. On November 10, 2021, our Company was converted into a joint stock company with limited liability. Our registered capital was RMB1,200 million divided into 1,200,000,000 Shares with a nominal value of RMB1.00 each.

The following sets out the changes in the issued share capital of our Company during the two years immediately preceding the date of this document:

1. On March 16, 2020, the registered capital of our Company was increased from RMB6,396.73 million to approximately RMB6,996.55 million, and the newly issued registered capital was subscribed by Jinyuan Investment at the consideration of RMB600 million.
2. On December 15, 2020, the registered capital of our Company was increased from RMB6,996.55 million to approximately RMB12,768.77 million, and the newly issued registered capital was subscribed by Jinsha Investment, Huake Engineering, a group of new [REDACTED] Investors and a group of new Employee Shareholding Platforms at the aggregate consideration of approximately RMB5,941.35 million.
3. On November 10, 2021 the registered capital of our Company decreased from RMB12,768.77 million to RMB1,200 million and on the same day, the registered capital of our Company was converted into 1,200,000,000 Shares with a nominal value of RMB1.00 each.

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4. On November 12, 2021, the registered capital of our Company was increased from RMB1,200 million to approximately RMB1,506.46 million, and the newly issued capital was subscribed by Xiaomi Yangtze River Industry, Jintan International, Changzhou Lihang Kaibo No. 11, Luoyang Company Minority Shareholders and a group of new [REDACTED] Investors at the aggregate consideration of approximately RMB12,769.02 million.

Upon completion of the [REDACTED], without taking into account any H Shares which may be issued pursuant to the [REDACTED], our share capital will be increased to RMB[REDACTED], comprising 1,506,456,558 Domestic Shares and [REDACTED] H Shares, representing [REDACTED] and [REDACTED] of our share capital, respectively.

For further details, please see “History, Development and Corporate Structure” of this document. Save as disclosed above, there has been no alteration in the share capital of our Company during the two years immediately preceding the date of this document.

C. Our Subsidiaries

(a) Subsidiaries

Certain details of our subsidiaries are set forth in the Accountant’s Report in Appendix I to this document. Save for the subsidiaries mentioned in the Accountant’s Report set out in Appendix I to this document, our Company has no other subsidiary.

(b) Changes in the share capital of subsidiaries

There has been no alteration in the share capital of any of our subsidiaries within the two years immediately preceding the date of this document.

D. Resolutions of our Shareholders dated December 25, 2021

On December 25, 2021, the Shareholders of our Company passed, among other things, the following resolutions:

- (a) the issue by our Company of our H Shares of nominal value of RMB1.00 each. Subject to the requirement of the Listing Rules, the amount of our H Shares to be issued under the [REDACTED] is not less than [REDACTED] of the total issued share capital and the [REDACTED] granted is no more than [REDACTED] of the number of our H Shares issued under the [REDACTED], i.e. the issue of in aggregate of not more than [REDACTED] Shares;

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- (b) subject to the completion of the [REDACTED], the Articles of Association have been approved and adopted, which shall only become effective from the [REDACTED], and the Board and its authorized person has been authorized to amend the Articles of Association in accordance with any comments from the Stock Exchange and the relevant PRC regulatory authorities; and
- (c) approving the Board and its authorized person to handle all matters relating to, among other things, the issue of our H Shares and the [REDACTED] of our H Shares on the Stock Exchange.

2. FURTHER INFORMATION ABOUT OUR BUSINESS

A. Summary of our Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within two years preceding the date of this document which are or may be material, and a copy of each has been delivered to the Registrar of Companies in Hong Kong for registration:

- (1) our Company, Jinsha Investment, Chengfei Integration, Lihang Jinzhi, Huake Investment, Jinyuan Industry, Jinyuan Investment and China Insurance Investment Advanced Manufacturing entered into a capital increase agreement dated November 10, 2020, pursuant to which, China Insurance Investment Advanced Manufacturing agreed to subscribe for our Company’s increased registered capital of approximately RMB553.77 million at a consideration of RMB570 million;
- (2) our Company, Jinsha Investment, Chengfei Integration, Lihang Jinzhi, Huake Investment, Jinyuan Industry, Jinyuan Investment and Chenyi Pengqi entered into a capital increase agreement dated November 10, 2020, pursuant to which, Chenyi Pengqi agreed to subscribe for our Company’s increased registered capital of approximately RMB334.21 million at a consideration of RMB344 million;
- (3) our Company, Jinsha Investment, Chengfei Integration, Lihang Jinzhi, Huake Investment, Jinyuan Industry, Jinyuan Investment and China Insurance Investment No. 1 New Energy entered into a capital increase agreement dated November 10, 2020, pursuant to which, China Insurance Investment No. 1 New Energy agreed to subscribe for our Company’s increased registered capital of approximately RMB301.18 million at a consideration of RMB310 million;
- (4) our Company, Jinsha Investment, Chengfei Integration, Lihang Jinzhi, Huake Investment, Jinyuan Industry, Jinyuan Investment and Xiaomi Yangtze River Industry entered into a capital increase agreement dated November 10, 2020, pursuant to which, Xiaomi Yangtze River Industry agreed to subscribe for our Company’s increased registered capital of approximately RMB291.46 million at a consideration of RMB300 million;

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- (5) our Company, Jinsha Investment, Chengfei Integration, Lihang Jinzhi, Huake Investment, Jinyuan Industry, Jinyuan Investment and Link Cornerstone entered into a capital increase agreement dated November 10, 2020, pursuant to which, Link Cornerstone agreed to subscribe for our Company’s increased registered capital of approximately RMB174.88 million at a consideration of RMB180 million;
- (6) our Company, Jinsha Investment, Chengfei Integration, Lihang Jinzhi, Huake Investment, Jinyuan Industry, Jinyuan Investment and Ma’anshan Cornerstone entered into a capital increase agreement dated November 10, 2020, pursuant to which, Ma’anshan Cornerstone agreed to subscribe for our Company’s increased registered capital of approximately RMB141.84 million at a consideration of RMB146 million;
- (7) our Company, Jinsha Investment, Chengfei Integration, Lihang Jinzhi, Huake Investment, Jinyuan Industry, Jinyuan Investment and China Insurance Investment No. 2 New Energy entered into a capital increase agreement dated November 10, 2020, pursuant to which, China Insurance Investment No. 2 New Energy agreed to subscribe for our Company’s increased registered capital of approximately RMB97.15 million at a consideration of RMB100 million;
- (8) our Company, Jinsha Investment, Chengfei Integration, Lihang Jinzhi, Huake Investment, Jinyuan Industry, Jinyuan Investment and China Insurance Investment Strategic Emerging entered into a capital increase agreement dated November 10, 2020, pursuant to which, China Insurance Investment Strategic Emerging agreed to subscribe for our Company’s increased registered capital of approximately RMB97.15 million at a consideration of RMB100 million;
- (9) our Company, Jinsha Investment, Chengfei Integration, Lihang Jinzhi, Huake Investment, Jinyuan Industry, Jinyuan Investment and Ma’anshan Shengtuo entered into a capital increase agreement dated November 10, 2020, pursuant to which, Ma’anshan Shengtuo agreed to subscribe for our Company’s increased registered capital of approximately RMB38.86 million at a consideration of RMB40 million;
- (10) our Company, Jinsha Investment, Chengfei Integration, Lihang Jinzhi, Huake Investment, Jinyuan Industry, Jinyuan Investment and Getian Star entered into a capital increase agreement dated November 10, 2020, pursuant to which, Getian Star agreed to subscribe for our Company’s increased registered capital of approximately RMB33.03 million at a consideration of RMB34 million;
- (11) our Company, Jinsha Investment, Chengfei Integration, Lihang Jinzhi, Huake Investment, Jinyuan Industry, Jinyuan Investment and Huaxian Automobile entered into a capital increase agreement dated November 10, 2020, pursuant to which, Huaxian Automobile agreed to subscribe for our Company’s increased registered capital of approximately RMB19.43 million at a consideration of RMB20 million;

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- (12) our Company, Chengfei Integration, Lihang Jinzhi, Huake Investment, Jinyuan Industry, Jinyuan Investment and Jinsha Investment entered into a capital increase agreement dated November 13, 2020, pursuant to which, Jinsha Investment agreed to subscribe for our Company’s increased registered capital of approximately RMB631.50 million at a consideration of RMB650 million. The consideration was settled by Jinsha Investment by capitalizing a loan of RMB650 million in total owing to it by our Company;
- (13) our Company, Jinsha Investment, Chengfei Integration, Lihang Jinzhi, Huake Investment, Jinyuan Industry, Jinyuan Investment and Huake Engineering entered into a capital increase agreement dated November 13, 2020, pursuant to which, Huake Engineering agreed to subscribe for our Company’s increased registered capital of approximately RMB1,049.79 million at a consideration of approximately RMB1,080.55 million in the form of non-monetary assets (including land, building and equipment);
- (14) our Company, Jinsha Investment, Chengfei Integration, Lihang Jinzhi, Huake Investment, Jinyuan Industry, Jinyuan Investment and Guangqi Ruidian entered into a capital increase agreement dated November 16, 2020, pursuant to which, Guangqi Ruidian agreed to subscribe for our Company’s increased registered capital of approximately RMB680.07 million at a consideration of RMB700 million;
- (15) our Company, Jinsha Investment, Chengfei Integration, Lihang Jinzhi, Huake Investment, Jinyuan Industry, Jinyuan Investment and Hongshan Kaichen entered into a capital increase agreement dated November 19, 2020, pursuant to which, Hongshan Kaichen agreed to subscribe for our Company’s increased registered capital of approximately RMB388.61 million at a consideration of RMB400 million;
- (16) our Company, Jinsha Investment, Chengfei Integration, Lihang Jinzhi, Huake Investment, Jinyuan Industry, Jinyuan Investment and Xiamen Lihang Kaibo No. 1 entered into a capital increase agreement dated November 19, 2020, pursuant to which, Xiamen Lihang Kaibo No. 1 agreed to subscribe for the increased registered capital of our Company of approximately RMB61.11 million at a consideration of RMB62.90 million;
- (17) our Company, Jinsha Investment, Chengfei Integration, Lihang Jinzhi, Huake Investment, Jinyuan Industry, Jinyuan Investment and Changzhou Lihang Kaibo No. 1 entered into a capital increase agreement dated November 19, 2020, pursuant to which, Changzhou Lihang Kaibo No. 1 agreed to subscribe for the increased registered capital of our Company of approximately RMB17.78 million at a consideration of RMB18.30 million;

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- (18) our Company, Jinsha Investment, Chengfei Integration, Lihang Jinzhi, Huake Investment, Jinyuan Industry, Jinyuan Investment and Changzhou Lihang Kaibo No. 2 entered into a capital increase agreement dated November 19, 2020, pursuant to which, Changzhou Lihang Kaibo No. 2 agreed to subscribe for the increased registered capital of our Company of approximately RMB13.70 million at a consideration of RMB14.10 million;
- (19) our Company, Jinsha Investment, Chengfei Integration, Lihang Jinzhi, Huake Investment, Jinyuan Industry, Jinyuan Investment and Changzhou Lihang Kaibo No. 3 entered into a capital increase agreement dated November 19, 2020, pursuant to which, Changzhou Lihang Kaibo No. 3 agreed to subscribe for the increased registered capital of our Company of approximately RMB11.17 million at a consideration of RMB11.50 million;
- (20) our Company, Jinsha Investment, Chengfei Integration, Lihang Jinzhi, Huake Investment, Jinyuan Industry, Jinyuan Investment and Changzhou Lihang Kaibo No. 4 entered into a capital increase agreement dated November 19, 2020, pursuant to which, Changzhou Lihang Kaibo No. 4 agreed to subscribe for the increased registered capital of our Company of approximately RMB13.50 million at a consideration of RMB13.90 million;
- (21) our Company, Jinsha Investment, Chengfei Integration, Lihang Jinzhi, Huake Investment, Jinyuan Industry, Jinyuan Investment and Changzhou Lihang Kaibo No. 5 entered into a capital increase agreement dated November 19, 2020, pursuant to which, Changzhou Lihang Kaibo No. 5 agreed to subscribe for the increased registered capital of our Company of approximately RMB25.75 million at a consideration of RMB26.50 million;
- (22) our Company, Jinsha Investment, Chengfei Integration, Lihang Jinzhi, Huake Investment, Jinyuan Industry, Jinyuan Investment and Changzhou Lihang Kaibo No. 6 entered into a capital increase agreement dated November 19, 2020, pursuant to which, Changzhou Lihang Kaibo No. 6 agreed to subscribe for the increased registered capital of our Company of approximately RMB17.20 million at a consideration of RMB17.70 million;
- (23) our Company, Jinsha Investment, Chengfei Integration, Lihang Jinzhi, Huake Investment, Jinyuan Industry, Jinyuan Investment and Changzhou Lihang Kaibo No. 7 entered into a capital increase agreement dated November 19, 2020, pursuant to which, Changzhou Lihang Kaibo No. 7 agreed to subscribe for the increased registered capital of our Company of approximately RMB6.41 million at a consideration of RMB6.60 million;

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- (24) our Company, Jinsha Investment, Chengfei Integration, Lihang Jinzhi, Huake Investment, Jinyuan Industry, Jinyuan Investment and Changzhou Lihang Kaibo No. 8 entered into a capital increase agreement dated November 19, 2020, pursuant to which, Changzhou Lihang Kaibo No. 8 agreed to subscribe for the increased registered capital of our Company of approximately RMB21.37 million at a consideration of RMB22.00 million;
- (25) our Company, Jinsha Investment, Chengfei Integration, Lihang Jinzhi, Huake Investment, Jinyuan Industry, Jinyuan Investment and Changzhou Lihang Kaibo No. 9 entered into a capital increase agreement dated November 19, 2020, pursuant to which, Changzhou Lihang Kaibo No. 9 agreed to subscribe for the increased registered capital of our Company of approximately RMB9.23 million at a consideration of RMB9.50 million;
- (26) our Company, Jinsha Investment, Chengfei Integration, Lihang Jinzhi, Huake Investment, Jinyuan Industry, Jinyuan Investment and Changzhou Lihang Kaibo No. 10 entered into a capital increase agreement dated November 19, 2020, pursuant to which, Changzhou Lihang Kaibo No. 10 agreed to subscribe for the increased registered capital of our Company of approximately RMB7.58 million at a consideration of RMB7.80 million;
- (27) our Company, Jinsha Investment, Chengfei Integration, Lihang Jinzhi, Huake Investment, Jinyuan Industry, Jinyuan Investment and Jinli Investment entered into a capital increase agreement dated November 23, 2020, pursuant to which, Jinli Investment agreed to subscribe for our Company's increased registered capital of approximately RMB136.01 million at a consideration of RMB140 million;
- (28) our Company, Jinsha Investment, Chengfei Integration, Lihang Jinzhi, Huake Investment, Jinyuan Industry, Jinyuan Investment and Guolian Tongjin entered into a capital increase agreement dated December 9, 2020, pursuant to which, Guolian Tongjin agreed to subscribe for our Company's increased registered capital of approximately RMB375.01 million at a consideration of RMB386 million;
- (29) our Company, Jinsha Investment, Chengfei Integration, Lihang Jinzhi, Huake Investment, Jinyuan Industry, Jinyuan Investment and Guolian Tongkun entered into a capital increase agreement dated December 9, 2020, pursuant to which, Guolian Tongkun agreed to subscribe for our Company's increased registered capital of approximately RMB109.78 million at a consideration of RMB113 million;
- (30) our Company, Jinsha Investment, Chengfei Integration, Lihang Jinzhi, Huake Investment, Jinyuan Industry, Jinyuan Investment and Guolian Tongwu entered into a capital increase agreement dated December 14, 2020, pursuant to which, Guolian Tongwu agreed to subscribe for our Company's increased registered capital of approximately RMB113.67 million at a consideration of RMB117 million;

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- (31) our Company and Luoyang Xinghang entered into an equity transfer agreement dated December 24, 2020, pursuant to which, Luoyang Xinghang agreed to transfer its 1.01% equity interests in Luoyang Company to our Company at a consideration of approximately RMB22.52 million;
- (32) our Company and Wuhan Economic and Technological Development Zone Management Committee* (武漢經濟技術開發區管理委員會) (“**Wuhan Management Committee**”) entered into an investment and cooperation agreement on May 25, 2021 in respect of, among other things, the establishment of Wuhan Company (“**Wuhan Company Investment Agreement**”);
- (33) our Company and Wuhan Management Committee entered into a supplemental agreement to the Wuhan Company Investment Agreement on May 25, 2021 which amended certain terms of the Wuhan Company Investment Agreement;
- (34) our Company and Chengdu Economic and Technological Development Zone Management Committee* (成都經濟技術開發區管理委員會) (“**Chengdu Management Committee**”) entered into a project investment agreement on May 25, 2021 in respect of, among other things, the establishment of Chengdu Company (“**Chengdu Company Investment Agreement**”);
- (35) our Company and Chengdu Management Committee entered into a supplemental agreement to the Chengdu Company Investment Agreement on May 25, 2021 which amended certain terms of the Chengdu Company Investment Agreement;
- (36) our Company and Chengdu Heavy Industry Longjin entered into an investment agreement on May 29, 2021 in respect of, among other things, the establishment of Chengdu Company;
- (37) our Company and Hainan Qingshan entered into a capital increase agreement dated July 25, 2021, pursuant to which, Hainan Qingshan agreed to subscribe for 12,000,000 Shares at a consideration of RMB500 million;
- (38) our Company and Hainan Huaping entered into a capital increase agreement dated July 26, 2021 (“**Hainan Huaping Capital Increase Agreement**”), pursuant to which, Hainan Huaping agreed to subscribe for 11,040,000 Shares at a consideration of RMB460 million;
- (39) our Company and Huzhou Haifa entered into a capital increase agreement dated July 26, 2021, pursuant to which, Huzhou Haifa agreed to subscribe for 9,600,000 Shares at a consideration of RMB400 million;
- (40) our Company and Chuanghe Xincui entered into a capital increase agreement dated July 26, 2021, pursuant to which, Chuanghe Xincui agreed to subscribe for 7,200,000 Shares at a consideration of RMB300 million;

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- (41) our Company and Yiwu Lexin entered into a capital increase agreement dated July 26, 2021, pursuant to which, Yiwu Lexin agreed to subscribe for 7,200,000 Shares at a consideration of RMB300 million;
- (42) our Company and Xiaomi Yangtze River Industry entered into a capital increase agreement dated July 27, 2021, pursuant to which, Xiaomi Yangtze River Industry agreed to subscribe for 12,000,000 Shares at a consideration of RMB500 million;
- (43) our Company and Wuhan Jingkai Investment entered into a capital increase agreement dated July 28, 2021, pursuant to which, Wuhan Jingkai Investment agreed to subscribe for 12,000,000 Shares at a consideration of RMB500 million;
- (44) our Company and Guoshou Private Equity entered into a capital increase agreement dated July 29, 2021, pursuant to which, Guoshou Private Equity agreed to subscribe for 12,000,000 Shares at a consideration of RMB500 million;
- (45) our Company and Nanjing Xing Na Zhou entered into a capital increase agreement dated July 29, 2021, pursuant to which, Nanjing Xing Na Zhou agreed to subscribe for 12,000,000 Shares at a consideration of RMB500 million;
- (46) our Company and Three Gorges Capital entered into a capital increase agreement dated July 30, 2021, pursuant to which, Three Gorges Capital agreed to subscribe for 12,000,000 Shares at a consideration of RMB500 million;
- (47) our Company and Manufacturing Transform and Upgrade Fund entered into a capital increase agreement dated August 3, 2021, pursuant to which, Manufacturing Transform and Upgrade Fund agreed to subscribe for 23,976,000 Shares at a consideration of RMB999 million;
- (48) our Company and Hanshi Precision entered into a capital increase agreement dated August 4, 2021, pursuant to which, Hanshi Precision agreed to subscribe for 10,800,000 Shares at a consideration of RMB450 million;
- (49) our Company and Aviation Industry Integration Fund entered into a capital increase agreement dated August 5, 2021, pursuant to which, Aviation Industry Integration Fund agreed to subscribe for 12,000,000 Shares at a consideration of RMB500 million;
- (50) our Company and Jiaxing Xingneng entered into a capital increase agreement dated August 6, 2021, pursuant to which, Jiaxing Xingneng agreed to subscribe for 12,000,000 Shares at a consideration of RMB500 million;
- (51) our Company and Hainan Huaping entered into a supplemental capital increase agreement dated August 10, 2021 to amend certain terms of the Hainan Huaping Capital Increase Agreement, pursuant to which, Hainan Huaping agreed to subscribe for 15,840,000 Shares at a consideration of RMB660 million;

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- (52) our Company and Chuangyi Shengtun entered into a capital increase agreement dated August 9, 2021, pursuant to which, Chuangyi Shengtun agreed to subscribe for 24,000,000 Shares at a consideration of RMB1,000 million;
- (53) our Company and the government of Changfeng County (長豐縣政府) entered into an investment cooperation agreement on August 10, 2021 in respect of, among other things, the establishment of Hefei Company (“**Hefei Company Investment Agreement**”);
- (54) our Company and the government of Changfeng County (長豐縣政府) entered into a supplemental agreement to the Hefei Company Investment Agreement on August 10, 2021 which amended certain terms of the Hefei Company Investment Agreement;
- (55) our Company and Wuhan Industrial Investment Zhongjing entered into a capital increase agreement dated August 13, 2021, pursuant to which, Wuhan Industrial Investment Zhongjing agreed to subscribe for 4,320,000 Shares at a consideration of RMB180 million;
- (56) our Company and Jintan International entered into a capital increase agreement dated August 16, 2021, pursuant to which, Jintan International agreed to subscribe for 24,000,000 Shares at a consideration of RMB1,000 million;
- (57) our Company and Dongtou Liying entered into a capital increase agreement dated August 17, 2021, pursuant to which, Dongtou Liying agreed to subscribe for 9,600,000 Shares at a consideration of RMB400 million;
- (58) our Company and Xiamen Jinli No. 2 entered into a capital increase agreement dated August 19, 2021, pursuant to which, Xiamen Jinli No. 2 agreed to subscribe for 24,000,000 Shares at a consideration of RMB1,000 million;
- (59) our Company and Chengdu Heavy Industry Longjin entered into a capital increase agreement dated August 19, 2021, pursuant to which, Chengdu Heavy Industry Longjin agreed to subscribe for 12,000,000 Shares at a consideration of RMB500 million;
- (60) our Company and Dahou Cornerstone entered into a capital increase agreement dated August 20, 2021, pursuant to which, Dahou Cornerstone agreed to subscribe for 6,021,600 Shares at a consideration of RMB250.90 million;
- (61) our Company and Hunan Hualing entered into a capital increase agreement dated August 23, 2021, pursuant to which, Hunan Hualing agreed to subscribe for 4,800,000 Shares at a consideration of RMB200 million;

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- (62) our Company and Changzhou Lihang Kaibo No. 11 entered into a capital increase agreement dated September 1, 2021, pursuant to which, Changzhou Lihang Kaibo No. 11 agreed to subscribe for 8,642,400 Shares at a consideration of RMB360.10 million;
- (63) our Company and Hefei Beicheng Investment entered into an investment and cooperation agreement on September 25, 2021 in respect of, among other things, the establishment of Hefei Company;
- (64) our Company and Hefei Beicheng Investment entered into a voting rights entrustment agreement on September 25, 2021, pursuant to which, Hefei Beicheng Investment agreed to entrust the voting rights of 31% of Hefei Company to our Company, for a period of seven years from the date of the agreement;
- (65) our Company and Heifei Beicheng Investment entered into an acting in concert agreement on September 25, 2021 in respect of the acting in concert arrangement between our Company and Hefei Beicheng Investment regarding the management of Hefei Company;
- (66) our Company and Hongdu Airline entered into a capital increase agreement dated October 15, 2021, pursuant to which, Hongdu Airline agreed to subscribe for 1,380,608 Shares in consideration of transferring its approximately 1.92% equity interests in Luoyang Company (equivalent to approximately RMB57.53 million) to our Company;
- (67) our Company and Shunying Investment entered into a capital increase agreement dated October 15, 2021, pursuant to which, Shunying Investment agreed to subscribe for 3,481,314 Shares in consideration of transferring its approximately 4.84% equity interests in Luoyang Company (equivalent to approximately RMB145.05 million) to our Company;
- (68) our Company and Zhongguancun Guosheng entered into a capital increase agreement dated October 15, 2021, pursuant to which, Zhongguancun Guosheng agreed to subscribe for 2,150,116 Shares in consideration of transferring its 2.99% equity interests in Luoyang Company (equivalent to approximately RMB89.59 million) to our Company;
- (69) our Company and Aviation Investment entered into a capital increase agreement dated October 15, 2021, pursuant to which, Aviation Investment agreed to subscribe for 1,634,931 Shares in consideration of transferring its 2.27% equity interests in Luoyang Company (equivalent to approximately RMB68.12 million) to our Company;

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- (70) our Company and Jincheng Technology entered into an equity transfer agreement dated October 18, 2021, pursuant to which, our Company agreed to sell and Jincheng Technology agreed to purchase 51% of the equity interests in Luoyang Company at a consideration of RMB1,530 million (the “**Luoyang Company 51% Equity Interests Transfer Agreement**”);
- (71) our Company and Missile Academy entered into a capital increase agreement dated October 20, 2021, pursuant to which, Missile Academy agreed to subscribe for 9,809,589 Shares in consideration of transferring its 13.62% equity interests in Luoyang Company (equivalent to approximately RMB408.73 million) to our Company;
- (72) Our Company and People’s Government of Jiangmen City (“**Jiangmen Government**”) entered into an investment and cooperation agreement on January 26, 2022 in respect of, among other things, the establishment of Jiangmen Company (“**Jiangmen Company Investment Agreement**”);
- (73) Our Company and Jiangmen Government entered into a supplemental agreement to the Jiangmen Company Investment Agreement on January 26, 2022 which amended certain terms of the Jiangmen Company Investment Agreement;
- (74) Our Company, Jinyuan Investment and Xiamen Torch High Technology Industrial Development Zone Management Committee* (廈門火炬高技術產業開發區管理委員會) (“**Xiamen Management Committee**”) entered into an investment and cooperation agreement on February 11, 2022 in respect of, among other things, the establishment of Fujian Company (“**Fujian Company Investment Agreement**”);
- (75) Our Company, Jinyuan Investment and Xiamen Management Committee entered into a supplemental agreement to the Fujian Company Investment Agreement on February 11, 2022 which amended certain terms of the Fujian Company Investment Agreement;
- (76) Our Company and Jinyuan Industry entered into an investment agreement on February 22, 2022 in respect of, among other things the establishment of Fujian Company;
- (77) Our Company and Jiangmen New Energy entered into an investment agreement on February 23, 2022 in respect of, among other things, the establishment of Jiangmen Company;
- (78) Our Company and Jincheng Technology entered into a supplemental agreement dated March 2, 2022 which amended certain terms of the Luoyang Company 51% Equity Interests Transfer Agreement;
- (79) our Company and Jinhang Holding entered into an equity transfer agreement dated March 3, 2022, pursuant to which, our Company agreed to sell and Jinhang Holding agreed to purchase 49% of the equity interest in Luoyang Company at a consideration of RMB1,087.80 million;
- (80) the Non-Competition Agreement; and
- (81) the Hong Kong [REDACTED] Agreement.

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B. Intellectual Property Rights

(i) Patents

As of the Latest Practicable Date, our Group has the following patents which are considered by us to be or may be material to our business:

No.	Patent	Patent Owner(s)	Patent No.	Type	Date of Grant	Expiry Date
1.	Lithium battery cathode piece, its preparation method, and lithium battery containing such cathode piece* (一種鋰電池正極片及其製備方法和含有該正極片的鋰電池)	Our Company	201110440649.1	Invention patent	2014.09.24	2031.12.22
2.	Pre-charging formation method for lithium-ion battery* (一種鋰離子電池的預充化成方法)	Our Company	201410704571.3	Invention patent	2017.08.04	2034.11.26
3.	Battery pack sorting method* (一種電池組分選方法)	Our Company	201410492066.7	Invention patent	2016.06.22	2034.09.22
4.	Battery grouping method* (一種電池配組方法)	Our Company	201410414354.0	Invention patent	2016.09.21	2034.08.20
5.	Point contact pressure short circuit testing device for cell* (一種電芯點接觸式壓力短路測試裝置)	Our Company	201210123640.2	Invention patent	2014.07.23	2032.04.24
6.	Lithium-ion EV battery slurries mixing process* (一種鋰離子動力電池合漿工藝)	Our Company	200810188342.5	Invention patent	2012.05.30	2028.12.24
7.	Pole piece transfer device and cutting and stacking machine* (極片轉運裝置和切疊一體機)	Our Company	202111041328.4	Invention patent	2021.11.19	2041.09.06

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No.	Patent	Patent Owner(s)	Patent No.	Type	Date of Grant	Expiry Date
8.	Flexible circuit device and preparation method thereof, battery device* (柔性電路器件及其製備方法、電池裝置)	Our Company	202110859242.6	Invention patent	2021.11.19	2041.07.27
9.	Conductive agent used in lithium iron phosphate battery and its preparation method* (一種磷酸鐵鋰電池用導電劑及其製備方法)	Our Company	201110030938.4	Invention patent	2013.05.01	2031.01.27
10.	A kind of lithium-ion battery replenishment method* (一種鋰離子電池補鋰方法)	Our Company	202111089914.6	Invention patent	2021.12.17	2041.09.16
11.	High-energy density ternary battery and its preparation method* (一種高能量密度三元電池及其製備方法)	Our Company	201710914648.3	Invention patent	2021.02.02	2037.09.29
12.	Preparation method of α -aluminum oxide applied to lithium-ion battery separator* (一種鋰離子電池隔膜用 α -氧化鋁的製備方法)	Our Company	201710510766.8	Invention patent	2020.08.18	2037.06.27
13.	Cathode material of lithium-ion battery, preparation method of cathode and lithium-ion battery* (鋰離子電池正極材料、正極製備方法及鋰離子電池)	Our Company	201310073175.0	Invention patent	2016.06.22	2033.03.06
14.	Low temperature electrolyte for lithium-ion battery and its preparation method* (一種鋰離子電池低溫電解液及其製備方法)	Our Company	201210287497.0	Invention patent	2015.05.13	2032.08.12

APPENDIX VI STATUTORY AND GENERAL INFORMATION

No.	Patent	Patent Owner(s)	Patent No.	Type	Date of Grant	Expiry Date
15.	Temperature control device* (一種溫度控制裝置)	Our Company	201410613801.5	Invention patent	2017.01.18	2034.11.03
16.	Lithium iron phosphate material for lithium-ion EV battery and its preparation method* (一種鋰離子動力電池用磷酸鐵鋰材料及其製備方法)	Our Company	201410594889.0	Invention patent	2016.09.21	2034.10.28
17.	Method for preparing lithium iron phosphate composite material* (一種磷酸鐵鋰複合材料的製備方法)	Our Company	201210387700.1	Invention patent	2015.12.02	2032.10.11
18.	Lithium-ion battery cell and lithium-ion battery* (一種鋰離子電池電芯及鋰離子電池)	Our Company	201510385438.0	Invention patent	2017.08.04	2035.06.29
19.	Detection method for quality of lithium battery pole pieces* (一種鋰電池極片質量檢測方法)	Our Company	201310698102.0	Invention patent	2017.04.26	2033.12.17
20.	Battery positioning tooling and battery processing device* (電池定位工裝及電池加工裝置)	Our Company	202111035869.6	Invention patent	2021.11.26	2041.09.05
21.	Mixed cathode material, cathode piece using such cathode material, and lithium-ion battery* (一種混合正極材料、使用該正極材料的正極片及鋰離子電池)	Our Company	201410105350.4	Invention patent	2017.05.31	2034.03.19
22.	PEO film and its preparation method and solid-state battery* (PEO膜及其製備方法與固態電池)	Jiangsu Research Institute	202010217510.X	Invention patent	2021.08.20	2040.03.24

APPENDIX VI STATUTORY AND GENERAL INFORMATION

No.	Patent	Patent Owner(s)	Patent No.	Type	Date of Grant	Expiry Date
23.	Preparation method of composite cathode for all-solid-state battery, composite cathode and all-solid-state battery* (全固態電池複合正極的製法、複合正極及全固態電池)	Our Company	202111035881.7	Invention patent	2021.11.19	2041.09.05
24.	Method for drying battery cell of high-capacity lithium-ion EV battery* (一種大容量鋰離子動力電池電芯的乾燥方法)	Our Company	201310292510.6	Invention patent	2016.03.23	2033.07.10
25.	Recovery method for cathode material of lithium battery* (一種鋰電池正極材料的回收方法)	Our Company	201310532433.7	Invention patent	2017.09.19	2033.10.31
26.	Detection equipment for surface defects of lithium battery pole pieces* (鋰電池極片表面缺陷檢測設備)	Our Company	201310614804.6	Invention patent	2017.06.06	2033.11.27
27.	Lithium-sulfur battery cathode material and lithium-sulfur battery* (鋰硫電池正極材料及鋰硫電池)	Jiangsu Research Institute	202011038076.5	Invention patent	2021.11.02	2040.09.27
28.	Multi-functional coating die* (一種多功能塗布模頭)	Our Company	201810463466.3	Invention patent	2021.04.13	2038.05.14
29.	High-safety lithium-ion battery anode material and its preparation method* (一種高安全性鋰離子電池負極材料及其製備方法)	Our Company	201110407617.1	Invention patent	2014.05.21	2031.12.07

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No.	Patent	Patent Owner(s)	Patent No.	Type	Date of Grant	Expiry Date
30.	Coating, aqueous pliable cathode piece prepared through adopting such coating, and lithium-ion battery* (一種塗料、採用該塗料製備的水性柔韌正極片、鋰離子電池)	Our Company	201110385102.6	Invention patent	2015.08.26	2031.11.27
31.	Self-discharge detection method of lithium iron phosphate battery* (一種磷酸鐵鋰電池的自放電檢測方法)	Our Company	201410010552.0	Invention patent	2017.12.05	2034.01.08
32.	Lithium-ion battery formation method* (一種鋰離子電池化成方法)	Our Company	201710765868.4	Invention patent	2020.09.25	2037.08.29
33.	New energy vehicles and power battery packs* (新能源車輛及動力電池包)	Our Company and Jiangsu Research Institute	201811204251.6	Invention patent	2021.10.01	2038.10.15
34.	Method for setting and verifying address of battery management system* (一種電池管理系統地址設置及校驗方法)	Our Company and Jiangsu Research Institute	201811117448.6	Invention patent	2021.07.30	2038.09.19
35.	Battery cover board, battery and vehicle using such battery cover board* (一種電池蓋板及使用該電池蓋板的電池、車輛)	Our Company and Jiangsu Research Institute	201810191242.1	Invention patent	2021.04.30	2038.03.07
36.	High-temperature-resistant adhesive tape capable of preventing adhesive overflow from roller press* (一種防止輥壓溢膠的耐高溫膠帶)	Our Company and Jiangsu Research Institute	201811286018.7	Invention patent	2021.04.13	2038.10.30

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No.	Patent	Patent Owner(s)	Patent No.	Type	Date of Grant	Expiry Date
37.	Graphite composite material and its preparation method* (一種石墨複合材料及其製備方法)	Our Company and Jiangsu Research Institute	201711125414.7	Invention patent	2020.05.19	2037.11.13
38.	Method for evaluating capacity of battery pack* (一種電池組容量評測方法)	Our Company and Jiangsu Research Institute	201910093911.6	Invention patent	2021.01.29	2039.01.29
39.	Square secondary battery cell winding method* (一種方形二次電池電芯的捲繞方法)	Our Company and Jiangsu Research Institute	201811354602.1	Invention patent	2020.12.01	2038.11.13
40.	Early warning method and system of battery module with overcharge protection device* (一種帶過充保護裝置的電池模組的預警方法及系統)	Our Company and Jiangsu Research Institute	201810678668.X	Invention patent	2021.06.01	2038.06.26
41.	Cooling method and system for power supply system* (一種動力電源系統的冷卻方法及其系統)	Our Company and Jiangsu Research Institute	201810169378.2	Invention patent	2020.09.15	2038.02.27
42.	Method of verifying battery charge and discharge control strategy based on Simscape battery pack model* (基於Simscape 電池組模型驗證電池充電控制策略的方法)	Our Company and Jiangsu Research Institute	201711295098.8	Invention patent	2019.06.04	2037.12.07

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No.	Patent	Patent Owner(s)	Patent No.	Type	Date of Grant	Expiry Date
43.	High-rate graphite anode material, its preparation method and lithium-ion battery* (一種高倍率石墨負極材料及其製備方法、鋰離子電池)	Our Company and Jiangsu Research Institute	201711166901.8	Invention patent	2020.05.19	2037.11.20
44.	Electrolyte solution for negative lithium-titanate battery, lithium-ion battery and preparation method thereof* (一種負極鈦酸鋰電池用電解液、鋰離子電池及其製備方法)	Our Company and Jiangsu Research Institute	201310034975.1	Invention patent	2016.03.23	2033.01.30
45.	Charging method of graphite anode system lithium-ion battery* (一種石墨負極體系鋰離子電池的充電方法)	Our Company and Jiangsu Research Institute	201810681112.6	Invention patent	2020.11.06	2038.06.26
46.	Preparation method for anode slurry of lithium-ion battery* (一種鋰離子電池負極漿料的製備方法)	Our Company and Jiangsu Research Institute	201410046555.X	Invention patent	2016.08.17	2034.02.09
47.	Double Reinforcement Method for Lithium Battery Lugs* (鋰電池極耳雙重加強方法)	Our Company and Jiangsu Research Institute	201810800092.X	Invention patent	2021.05.11	2038.07.19
48.	Current collector, preparation method thereof and electrochemical energy storage device* (一種集流體及其製備方法、電化學儲能裝置)	Our Company and Jiangsu Research Institute	201810542358.5	Invention patent	2021.04.30	2038.05.29

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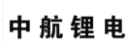















No.	Patent	Patent Owner(s)	Patent No.	Type	Date of Grant	Expiry Date
49.	Silicon composite material for lithium-ion battery and its preparation method and lithium battery* (一種鋰電池用硅複合材料及其製備方法、鋰電池)	Our Company and Jiangsu Research Institute	201711230898.1	Invention patent	2020.06.05	2037.11.28
50.	Applications of high-nickel ternary cathode material in carbon nanotube preparation as catalyst, cathode material, its preparation method, and lithium-ion battery* (高鎳三元正極材料作為催化劑在製備碳納米管方面的應用、正極材料及其製備方法、鋰電池)	Our Company and Jiangsu Research Institute	201810167828.4	Invention patent	2020.09.15	2038.02.27
51.	Softening agent for lithium-ion battery pole piece* (一種用於鋰離子電池極片的軟化劑)	Our Company and Jiangsu Research Institute	201711475957.1	Invention patent	2020.04.21	2037.12.28
52.	Current Limiting Strategy of Communication Battery Module Charging* (通信電池模塊充電限流策略)	Our Company and Jiangsu Research Institute	201810143944.2	Invention patent	2020.12.25	2038.02.11
53.	Daisy chain communication fault diagnosis and processing method for battery management system* (一種電池管理系統菊花鏈通信故障診斷及處理方法)	Our Company and Jiangsu Research Institute	201810926268.6	Invention patent	2021.06.04	2038.08.14

APPENDIX VI STATUTORY AND GENERAL INFORMATION

No.	Patent	Patent Owner(s)	Patent No.	Type	Date of Grant	Expiry Date
54.	Battery management system loop interlock and slave control address setting method* (電池管理系統環路互鎖及從控地址設置方法)	Our Company and Jiangsu Research Institute	201810117868.8	Invention patent	2020.02.14	2038.02.05
55.	Winding needle and winding method for improving deformation of wound cell* (改善捲繞電芯變形的捲針以及捲繞方法)	Our Company and Jiangsu Research Institute	201810764329.3	Invention patent	2020.09.22	2038.07.11
56.	Anti-wrinkle device and anti-wrinkle method for lithium battery pole piece rolling* (一種鋰電池極片輓壓防皺裝置及防皺方法)	Jiangsu Research Institute and the Company	201811072186.6	Invention patent	2020.10.02	2038.09.13
57.	Battery and its lug body, and battery module using such battery* (電池及其極耳片體、使用該電池的電池模組)	Jiangsu Research Institute and the Company	201711270584.4	Invention patent	2020.12.01	2037.12.04
58.	Lithium-ion battery electrolyte and lithium-ion battery* (一種鋰離子電池電解液、鋰離子電池)	Jiangsu Research Institute and the Company	201711311478.6	Invention patent	2020.04.10	2037.12.10

APPENDIX VI STATUTORY AND GENERAL INFORMATION

(ii) Trademarks

No.	Trademark	Registered Owner	Class(es)	Registration Number	Registration Date	Expiry Date	Place of Registration
1.		Our Company	9	7887901	2011.03.21	2031.03.20	PRC
2.		Our Company	9	7887911	2011.03.07	2031.03.06	PRC
3.		Our Company	9	14750055	2015.06.28	2025.06.27	PRC
4.		Our Company	9	23278302	2018.03.14	2028.03.13	PRC
5.		Our Company	9	51574547	2021.08.21	2031.08.20	PRC
6.		Our Company	17	51580907	2021.07.21	2031.07.20	PRC
7.		Our Company	6	51584775	2021.07.21	2031.07.20	PRC
8.		Our Company	12	51586856	2021.08.21	2031.08.20	PRC
9.		Our Company	42	51587249	2021.07.21	2031.07.20	PRC
10.		Our Company	1	51594908	2021.08.14	2031.08.13	PRC
11.		Our Company	9	53508028	2021.09.14	2031.09.13	PRC
12.		Our Company	9	56664236	2021.12.28	2031.12.27	PRC
13.		Jiangsu Research Institute	9	56529565	2021.12.28	2031.12.27	PRC
14.		Jiangsu Research Institute	9	53786350	2021.09.21	2031.09.20	PRC
15.		Our Company	9	661648	2014.07.28	2024.07.20	Switzerland
16.		Our Company	9	1636128	2014.07.23	2024.07.23	Australia
17.		Our Company	9	1698851	2015.04.01	2025.03.31	Taiwan
18.		Our Company	9, 42	353473	2016.06.08	2026.01.05	Czech Republic
19.		Our Company	1, 6, 9, 12, 17, 35, 42	756089	2020.12.04	2030.12.03	Switzerland

APPENDIX VI STATUTORY AND GENERAL INFORMATION

No.	Trademark	Registered Owner	Class(es)	Registration Number	Registration Date	Expiry Date	Place of Registration
20.	CALB	Our Company	6, 17, 35, 42	305594716	2021.04.16	2031.04.15	Hong Kong
21.	CALB	Our Company	1, 9, 12	305459888	2020.11.25	2030.11.24	Hong Kong

(iii) Domain Names

As of the Latest Practicable Date, the following domain names have been registered in the name of our Company which are considered by us to be or may be material to our business:

No.	Domain Name	Registered Owner	Approval Date
1.	calbjs.cn	Our Company	2019.10.28
2.	calbjs.com	Our Company	2019.10.28
3.	calb-tech.com	Our Company	2019.10.28
4.	calbri.cn	Our Company	2019.10.28

(iv) Software Copyrights

As of the Latest Practicable Date, the following software copyrights have been registered in the name of our Company which are considered by us to be or may be material to our business:

No.	Software Copyright	Registered Owner	Registration Number	Registration Date
1.	CALB Material Emulation Full-Sight Rendering Software [Abbreviation: CMSR] V1.0* (中航鋰電材料仿真全視角渲染軟件 V1.0)	Our Company	2021SR1426963	2021.09.24
2.	CALB Specialised Equivalent Circuit Calculating Software [Abbreviation: CECC] V1.0* (中航鋰電專用等效電路計算器軟件 V1.0)	Our Company	2021SR1427121	2021.09.24

APPENDIX VI STATUTORY AND GENERAL INFORMATION

No.	Software Copyright	Registered Owner	Registration Number	Registration Date
3.	BMS Automatic Configuration Software V1.0* (BMS自動配置軟件V1.0)	Our Company	2020SR1616623	2020.11.20
4.	BMS Follow Plate Monitor Software V1.0* (BMS從板監控軟件V1.0)	Our Company	2020SR1616622	2020.11.20
5.	Battery SOH Calculation Program of Battery Management System V1.0* (電池管理系統電池SOH計算程序V1.0)	Our Company	2020SR1617763	2020.11.20
6.	Battery SOC Calculation Program of Battery Management System V1.0* (電池管理系統電池SOC計算程序V1.0)	Our Company	2020SR1617762	2020.11.20
7.	Charge and Discharge Power Control SOP Software for lithium-ion battery system V1.0* (鋰離子電池系統充電功率控制SOP軟件V1.0)	Jiangsu Research Institute	2020SR0242289	2020.03.12

3. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUPERVISORS

A. Particulars of Directors’ and Supervisors’ Contracts

Pursuant to Rules 19A.54 and 19A.55 of the Listing Rules, each of our Directors and Supervisors has entered into a contract with our Company on [●] in respect of, among other things, (i) the compliance of relevant laws and regulations, (ii) compliance with the Articles of Association, and (iii) the provision on arbitration.

Save as disclosed above, none of our Directors or Supervisors has or is proposed to have any service contracts with our Group (other than contracts expiring or determinable by the relevant employers within one year without the payment of compensation (other than statutory compensation)).

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

B. Directors’ and Supervisors’ Remuneration

Save as disclosed in the section headed “Directors, Supervisors and Senior Management – Remuneration policy” of this document and under notes 16 and 17 to the Accountant’s Report set out in Appendix I to this document, no Director or Supervisor received any other fees, salaries, allowances, share based compensation, pension schemes contribution and other benefits in kind (if applicable) from our Company in respect of each of the years ended December 31, 2019, 2020 and 2021.

It is estimated that under the arrangements currently in force, total remuneration (including fees, salaries, pension schemes contribution and other benefits, excluding any share based compensation) in an amount of approximately RMB11 million will be payable by our Company to our Directors and Supervisors for the year ending December 31, 2022 for their services as our Directors and Supervisors.

There is no arrangement under which any Director or Supervisor has waived or agreed to waive any remuneration of benefits in kind during the Track Record Period.

4. DISCLOSURE OF INTERESTS

A. Substantial Shareholders

(i) Interests in the Shares of our Company

For information on the persons (other than our Directors, Supervisors or chief executive of our Company) who will, immediately following the completion of the [REDACTED] (assuming that (i) the [REDACTED] becomes unconditional and all [REDACTED] have been issued pursuant to the [REDACTED], and (ii) the [REDACTED] is not exercised), have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at general meetings of our Company, please see “Substantial Shareholders” in this document.

Save as disclosed in the section headed “Substantial Shareholders” in this document, our Directors, Supervisors, and chief executives are not aware of any person, not being our Director, Supervisor, and chief executive of our Company, who has an interest or short position in our Shares, underlying Shares or debentures of our Company which, once our H Shares are listed, would have to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

APPENDIX VI STATUTORY AND GENERAL INFORMATION

(ii) Interests in our Company’s subsidiaries

Immediately following the completion of the [REDACTED], assuming (i) the [REDACTED] has become unconditional and all [REDACTED] have been issued pursuant to the [REDACTED]; and (ii) the [REDACTED] have not been exercised, no person (other than our Company) will be interested, directly or indirectly, in 10% or more in any share class with the right to, in any event, vote at the general meeting of any other member (other than our Company) of our Group, save as disclosed as below:

Member of our Group	Person holding 10% or more interests	Approximate percentage of the interests in the member of our Group
Chengdu Company	Chengdu Heavy Industry Longjin ⁽¹⁾	49%
Wuhan Company	Wuhan Jingkai Investment ⁽²⁾	49%
Hefei Company	Hefei Beicheng Investment ⁽³⁾	80%
Fujian Company	Jinyuan Industry ⁽⁴⁾	49%
Jiangmen Company	Jiangmen New Energy ⁽⁵⁾	49%

Notes:

1. Chengdu Heavy Industry Longjin is held as to 76% and 24% by Chengdu Major Industrial Project Phase I Equity Investment Fund Co., Ltd. (成都市重大產業化項目一期股權投資基金有限公司) and Chengdu Economic Development Industrial Equity Investment Fund (Limited Partnership) (成都經開產業股權投資基金(有限合夥)).
2. Wuhan Jingkai Investment is wholly owned by State-owned Assets Supervision and Administration Commission of Wuhan Economic and Technological Development Zone (Hannan District)* 武漢經濟技術開發區(漢南區)國有資產監督管理局.
3. Hefei Beicheng Investment is wholly owned by Hefei Beicheng Capital Management Co., Ltd.* (合肥北城資本管理有限公司), which is wholly owned by Changfeng County Finance Bureau in Hefei City (State-owned Assets Supervision and Administration Commission of Changfeng County)* (長豐縣財政局(長豐縣國有資產監督管理委員會)).
4. Jinyuan Industry is wholly owned by Jinyuan Investment, which is wholly owned by the Finance Bureau of Xiamen City* (廈門市財政局).
5. Jiangmen New Energy’s general partner is Jiangmen City Hainan Enterprise Management Co., Ltd* (江門市海納企業管理有限公司), a company wholly owned by Jiangmen City Financial Investment Holding Co., Ltd* (江門市金融投資控股有限公司), which is held as to approximately 83.4% and 16.6% by state-owned Assets Supervision and Administration Commission of Jiangmen City* (江門市人民政府國有資產監督管理委員會) and Jiangmen Communication and Construction Investment Group Co., Ltd.* (江門市交通建設投資集團有限公司).

APPENDIX VI

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B. Directors, Supervisors or Chief Executive of our Company

Immediately following the completion of the [REDACTED] (assuming that (i) the [REDACTED] becomes unconditional and all [REDACTED] have been issued pursuant to the [REDACTED]; and (ii) the [REDACTED] have not been exercised), the interests and short positions of our Shares, underlying Shares or debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) held by our Directors, Supervisors or chief executive of our Company which shall be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken, or deemed to have under such provisions of the SFO) or which will be required pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which shall be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (for this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the Supervisors) contained in the Listing Rules are as follows:

Name	Position	Nature of interests	Number and class of shares held ⁽¹⁾	Approximate shareholding percentage in the total issued Share capital of our Company before the [REDACTED] (%) ⁽¹⁾	Approximate shareholding percentage in the relevant class of Shares after the [REDACTED] (%)	Approximate shareholding percentage in the total issued Share capital of our Company after the [REDACTED] (%)
Liu Jingyu ⁽³⁾	Executive director	Beneficial owner	1,513,192 Domestic Shares (L) ⁽²⁾	0.10	[REDACTED]	[REDACTED]
Dai Ying ⁽⁴⁾	Executive director	Beneficial owner	1,053,968 Domestic Shares (L) ⁽²⁾	0.07	[REDACTED]	[REDACTED]

Notes:

- (1) The calculation is based on the total 1,506,456,558 Domestic Shares in issue and the [REDACTED] in issue upon the [REDACTED], assuming the [REDACTED] have not been exercised.
- (2) The letter “L” represents such person’s long positions in our Shares.
- (3) 375,804 and 1,137,388 Domestic Shares were granted to/acquired by Ms. Liu Jingyu under the 2019 Share Incentive Scheme and the 2020 Share Incentive Scheme, respectively.
- (4) 140,927 and 913,041 Domestic Shares were granted to Mr. Dai Ying under the 2019 Share Incentive Scheme and the 2020 Share Incentive Scheme, respectively.

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C. Disclaimers

Save as disclosed in this document:

- (a) none of our Directors, Supervisors or chief executive of our Company has any interests and short positions in our Shares, underlying Shares or debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which shall be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken, or deemed to have under such provisions of SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or shall be or required to be, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules to be notified to us and the Stock Exchange, in each case once our Shares are listed. For this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the Supervisors;
- (b) none of our Directors or Supervisors is a director or employee of a company which is expected to have an interest in our Shares falling to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO once our Shares are listed on the Stock Exchange;
- (c) none of our Directors or Supervisors nor any of the parties listed in the paragraph headed "6. Other Information – F. Qualification of Experts" of this Appendix is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to our business;
- (d) none of our Directors or Supervisors nor any of the parties listed in the paragraph headed "6. Other Information – F. Qualification of Experts" of this Appendix is interested in our promotion, or in any assets which have, within two years immediately preceding the issue of this document, been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to our Company;
- (e) none of the parties listed in the paragraph headed "6. Other Information – F. Qualification of Experts" of this appendix: (i) is interested legally or beneficially in any of our Shares or any shares in any of our subsidiaries; or (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our securities; and
- (f) none of our Directors or Supervisors or their respective associates or any Shareholders of our Company (who to the knowledge of our Directors owns more than 5% of our issued share capital) has any interest in our five largest suppliers or our five largest customers.

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5. SHARE INCENTIVE SCHEMES

A. 2019 Share Incentive Scheme

The following summarizes the major terms of our Company's 2019 Share Incentive Scheme approved and adopted by our Company on August 2, 2019 and revised from time to time. The 2019 Share Incentive Scheme aims to grant share incentives to stimulate the enthusiasm and creativity of the core backbone personnel, enhance their sense of responsibility and mission of achieving the Company's long-term sustainable and healthy development, and ensure the realization of the Company's strategic goals.

Since the 2019 Share Incentive Scheme does not involve share options granted by our Company after [REDACTED], the provisions of Chapter 17 of the Listing Rules do not apply to the terms of the 2019 Share Incentive Scheme. Given that the Shares under the 2019 Share Incentive Scheme have been issued, there will be no dilutive effect on the Shares outstanding upon vesting of the awards under the 2019 Share Incentive Scheme. No further awards under the 2019 Share Incentive Scheme will be granted after [REDACTED].

In order to implement the 2019 Share Incentive Scheme, Xiamen Lihang Equity Investment established as an Employee Shareholding Platform. As of the Latest Practicable Date, Xiamen Lihang Equity Investment is owned as to 40%, 20%, 15%, 15%, 5% and 5% equity by Ms. Liu Jingyu, Dr. Pan Fangfang, Mr. Dai Ying, Mr. Geng Yan'an, Mr. Wang Xiaoqiang and Mr. He Fan, respectively.

1. *Principal Terms*

(a) *Management*

The general manager's office of our Company is responsible for formulating corporate equity and dividend incentive plans.

(b) *Method for participants to acquire incentive shares*

Participants of 2019 Share Incentive Scheme should hold incentive shares indirectly through Employee Shareholding Platforms.

(c) *Method of determining the price of incentive shares*

The price paid by the shareholders of Xiamen Lihang Equity for subscribing for the incentive shares was the same as the price at which Lihang Jinzhi subscribed for our Company's new registered capital on July 29, 2019. The price was determined with reference to the higher of our Company's net asset value as of June 30, 2018 or June 30, 2019 as valued by a third party valuer, the reports of which were filed with the State-owned Assets Supervision and Administration Department.

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(d) Participants of the 2019 Share Incentive Scheme

The participants of the equity shares are our Company's core senior executives who have a key role in our Company's overall performance and medium and long-term development. All participants are formal employees who have entered into the employment contracts with our Company.

(e) Period between granting the award and exercising the award

The participant may exercise the award from the date on which the incentive share is granted to him/her.

(f) Lock-up period

According to the provisions of the 2019 Share Incentive Scheme, the PRC Company Law and our Articles of Association, as well as the rules and regulations relating to the lock-up period in the jurisdiction where our Shares are listed. In general, except under certain special circumstances, from the date on which the participant acquires the shares, such shares held by him/her (including the interest in the partnership directly held by him and the Shares of our Company indirectly held by him/her) shall not be transferred or sold for a period of up to 5 years.

If our Company implements initial public offering and [REDACTED] during the lock-up period, the participant, will be unlocked and can exit in accordance with the relevant regulations and requirements of the relevant securities regulatory commission and stock exchange.

(g) Special exit situation

- (1) If our Company fails to implement the initial public offering and [REDACTED] during the lock-up period, and in the event of death, divorce of, or judicial decision against the participant, and the successor or transferee of whom is not an employee of our Company, such portion of awarded Shares shall be repurchased. The exit price shall be determined on the basis of the audited net asset value per Share of our Company at the end of the previous year when such circumstances occurred or the actual capital contribution paid by the participant, whichever is higher. Such awarded Shares shall be repurchased by the acquirer determined by the general manager's office of our Company.
- (2) If our Company fails to implement the initial public offering and [REDACTED] during the lock-up period, and the participant resigns or is dismissed by our Company because he/she causes serious damage to our company's interests, breaches employment contracts or rules and regulations of our Company or seriously violates the laws and disciplines, etc., such portion of awarded Shares shall be repurchased given that the participant is no longer an employee of our Company. The exit price shall be determined on the basis of the audited net asset value per

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Share of our Company at the end of the previous year when such circumstances occurred or the actual capital contribution paid by the participant whichever is lower. Such awarded Shares shall be repurchased by the acquirer determined by the general manager's office of our Company.

- (3) If our Company fails to implement the initial public offering and [REDACTED] within the lock-up period, and none of situations as prescribed in paragraphs (1) or (2) above happens, the participant will be unlocked and can exit in accordance with the relevant regulations and policies of state-owned assets supervision department at that time. If there is no clear relevant regulations and policies of state-owned assets supervision department, the exit price shall be determined on the basis of the audited net asset value per Share of our Company at the end of the year preceding the aforesaid events or the actual capital contribution price paid by the participant, whichever is higher. Such awarded Shares shall be repurchased by the acquirer determined by the general manager's office of our Company.

(f) Arrangement on equity incentive

The gains received by Lihang Jinzhi shall be allocated in the following manners and order:

- (1) to each partner in accordance with its actual contribution;
- (2) residual gains shall be paid to Jinyuan Industry for the amount calculated by its actual contribution multiply by actual contribution year at 6% per annum; and
- (3) the extra gains shall be allocated to Jinyuan Industry and Xiamen Lihang Equity Investment as to 80% and 20%.

2. Incentive Shares Granted

As of the Latest Practicable Date, the number of incentive Shares granted by our Company to our Directors and members of the senior management of our Company under the 2019 Share Incentive Scheme were a total of 939,512 Shares, representing 0.06% of the issued Share capital of our Company.

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A list of incentive Shares granted to our Directors and members of the senior management of our Company, as the grantees, under the 2019 Share Incentive Scheme and the details regarding incentive Shares granted to them respectively are as follows.

Name of Participants	Date of Grant	Number of incentive Shares underlying the awards granted under the 2019 Share Incentive Scheme (as of the Latest Practicable Date)
Ms. Liu Jingyu	August 14, 2019	375,804
Dr. Pan Fangfang	December 27, 2019	187,902
Mr. Dai Ying	December 27, 2019	140,927
Mr. Geng Yan’an	December 27, 2019	140,927
Mr. Wang Xiaoqiang	December 27, 2019	46,976
Mr. He Fan	December 27, 2019	46,976
Total		939,512

Save as disclosed above, no award has been granted to other connected persons of our Group under the 2019 Share Incentive Scheme. As of the Latest Practicable Date, all awards have been vested, and all selected participants holding the vested awards are the shareholders of Xiamen Lihang Equity Investment.

B. 2020 Share Incentive Scheme

The following is a summary of the principal terms of the 2020 Share Incentive Scheme of our Company as approved and adopted by our Company on October 30, 2020, and as amended from time to time. The purpose of the 2020 Share Incentive Scheme is to provide an approach for our Company to grant share awards to the key employees so as to stimulate their enthusiasm and creativity, enhance the sense of responsibility and mission of the key employees to realize long-term sustainable and healthy development of our Company, and ensure the realization of our Company’s strategic goals.

The terms of the 2020 Share Incentive Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as the 2020 Share Incentive Scheme does not involve share options granted by our Company after [REDACTED]. Given that the shares under the 2020 Share Incentive Scheme have been issued, there will be no dilutive effect on the shares outstanding upon vesting of the awards under the 2020 Share Incentive Scheme. No further awards under the 2020 Share Incentive Scheme will be granted after [REDACTED].

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In order to implement the 2020 Share Incentive Scheme, our Company has established 11 Employee Shareholding Platforms, namely Xiamen Lihang Kaibo No. 1, Changzhou Lihang Kaibo No.1, Changzhou Lihang Kaibo No.2, Changzhou Lihang Kaibo No.3, Changzhou Lihang Kaibo No.4, Changzhou Lihang Kaibo No.5, Changzhou Lihang Kaibo No.6, Changzhou Lihang Kaibo No.7, Changzhou Lihang Kaibo No.8, Changzhou Lihang Kaibo No.9 and Changzhou Lihang Kaibo No.10. As of the Latest Practicable Date, the shareholding of the above 11 Employee Shareholding Platforms in our Company is as follows:

Name of Employee Shareholding Platform	No. of issued Shares held in our Company	Shareholding percentage in our Company
Xiamen Lihang Kaibo No. 1 ⁽¹⁾	5,743,026	0.38%
Changzhou Lihang Kaibo No. 1 ⁽²⁾	1,670,864	0.11%
Changzhou Lihang Kaibo No. 2 ⁽³⁾	1,287,387	0.09%
Changzhou Lihang Kaibo No. 3 ⁽⁴⁾	1,049,997	0.07%
Changzhou Lihang Kaibo No. 4 ⁽⁵⁾	1,269,126	0.08%
Changzhou Lihang Kaibo No. 5 ⁽⁶⁾	2,419,558	0.16%
Changzhou Lihang Kaibo No. 6 ⁽⁷⁾	1,616,082	0.11%
Changzhou Lihang Kaibo No. 7 ⁽⁸⁾	602,607	0.04%
Changzhou Lihang Kaibo No. 8 ⁽⁹⁾	2,008,689	0.13%
Changzhou Lihang Kaibo No. 9 ⁽¹⁰⁾	867,389	0.06%
Changzhou Lihang Kaibo No. 10 ⁽¹¹⁾	712,172	0.05%
Total	19,237,897	1.28%

Notes:

- (1) Xiamen Lihang Kaibo No.1 is a limited partnership established in the PRC for employee incentive arrangements, with Changzhou Lihang Industrial as its sole general partner and executive partner. The limited partners of the partnership as of the Latest Practicable Date are Ms. Liu Jingyu, Dr. Pan Fangfang, Mr. Dai Ying, Mr. Geng Yan’an and Mr. Wang Xiaoqiang, all of whom are our Directors or the senior management of our Company resident in the PRC.
- (2) Changzhou Lihang Kaibo No.1 is a limited partnership established in the PRC for employee incentive arrangements, with Changzhou Lihang Industrial as its general partner and executive partner and Mr. Liu Junling and Ms. Zhang Qi as its general partners. As of the Latest Practicable Date, the partnership had 38 limited partners, all of whom are our Group’s employees resident in the PRC and are independent third parties.
- (3) Changzhou Lihang Kaibo No.2 is a limited partnership established in the PRC for employee incentive arrangements, with Changzhou Lihang Industrial as its sole general partner and executive partner. As of the Latest Practicable Date, the partnership had 38 limited partners, all of whom are our Group’s employees resident in the PRC and are independent third parties.
- (4) Changzhou Lihang Kaibo No.3 is a limited partnership established in the PRC for employee incentive arrangements, with Changzhou Lihang Industrial as its sole general partner and executive partner. As of the Latest Practicable Date, the partnership had 39 limited partners, all of whom are our Group’s employees resident in the PRC and are independent third parties.

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- (5) Changzhou Lihang Kaibo No.4 is a limited partnership established in the PRC for employee incentive arrangements, with Changzhou Lihang Industrial as its sole general partner and executive partner. As of the Latest Practicable Date, the partnership had 44 limited partners, all of whom are our Group's employees resident in the PRC and are independent third parties.
- (6) Changzhou Lihang Kaibo No.5 is a limited partnership established in the PRC for employee incentive arrangements, with Changzhou Lihang Industrial as its sole general partner and executive partner. As of the Latest Practicable Date, the partnership had 44 limited partners, all of whom are our Group's employees resident in the PRC and are independent third parties.
- (7) Changzhou Lihang Kaibo No.6 is a limited partnership established in the PRC for employee incentive arrangements, with Changzhou Lihang Industrial as its sole general partner and executive partner. As of the Latest Practicable Date, the partnership had 43 limited partners, all of whom are our Group's employees resident in the PRC and are independent third parties.
- (8) Changzhou Lihang Kaibo No.7 is a limited partnership established in the PRC for employee incentive arrangements, with Changzhou Lihang Industrial as its sole general partner and executive partner. As of the Latest Practicable Date, the partnership had 39 limited partners, all of whom are our Group's employees resident in the PRC and are independent third parties.
- (9) Changzhou Lihang Kaibo No.8 is a limited partnership established in the PRC for employee incentive arrangements, with Changzhou Lihang Industrial as its sole general partner and executive partner. As of the Latest Practicable Date, the partnership had 44 limited partners, all of whom are our Group's employees resident in the PRC and are independent third parties.
- (10) Changzhou Lihang Kaibo No.9 is a limited partnership established in the PRC for employee incentive arrangements, with Changzhou Lihang Industrial as its sole general partner and executive partner. As of the Latest Practicable Date, the partnership had 37 limited partners, all of whom are our Group's employees resident in the PRC and are independent third parties.
- (11) Changzhou Lihang Kaibo No.10 is a limited partnership established in the PRC for employee incentive arrangements, with Changzhou Lihang Industrial as its sole general partner and executive partner. As of the Latest Practicable Date, the partnership had 31 limited partners, all of whom are our Group's employees resident in the PRC and are independent third parties.

1. *Principal Terms*

(a) *Management*

The general manager's office of our Company is responsible for (i) reviewing the list of the participants, and (ii) other management matters relating to the 2020 Share Incentive Scheme.

(b) *Method for participants to acquire incentive shares*

Participants of 2020 Share Incentive Scheme should hold incentive shares indirectly through Employee Shareholding Platforms.

(c) *Price of incentive shares*

The price paid by the participants for subscribing for incentive shares under the 2020 Share Incentive Scheme was RMB1.0293 per share.

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(d) Method of determining the price of incentive shares

The price of the incentive shares under the 2020 Share Incentive Scheme was determined after taking into consideration of the following factors (whichever is higher):

- (1) at the time when Jinyuan Industry subscribes for the increased registered capital of our Company (hereinafter referred to as the "**Previous Capital Increase**"), the assessed value of our Company was RMB6.397 billion (the corresponding capital increase price was RMB1.0003/Share). As of August 31, 2020, the price of capital increase was revised according to the premium of 4.35% annual interest rate, and the calculation method is as follows: the price of capital increase = the price of the Previous Capital Increase + (the price of the Previous Capital Increase \times (4.35% \div 12) \times 8), and the price of capital increase is RMB1.0293/Share; and
- (2) the assessed value of our Company as of December 31, 2019 as valued by an independent third party valuer was RMB6.51478 billion which has not taken into account the amount of the Previous Capital Increase and as such, the corresponding price was RMB1.0185/Share. If the amount of RMB600 million of the Previous Capital Increase and the registered capital of our Company after the capital increase (i.e. RMB6.99655 billion) was taken into account, the corresponding price would be RMB1.0169/Share.

(e) Participants of the 2020 Share Incentive Scheme

Eligible participants of the 2020 Share Incentive Scheme shall include senior management, middle management, key technical personnel and key business personnel (excluding independent Directors and supervisors) who have entered into employment contracts with our Company and whose latest performance evaluation results are qualified.

(f) Period between granting the award and exercising the award

The participant may exercise the award from the date on which the incentive share is granted to him/her.

(g) Lock-up period

According to the provisions of the 2020 Share Incentive Scheme, the PRC Company Law and our Articles of Association, as well as the rules and regulations relating to the lock-up period in the jurisdiction where our Shares are listed:

In general, except under certain special circumstances, from the date on which the participant acquires the shares, such shares held by him (including the shares of the partnership directly held by him/her and the shares of our Company indirectly held by him/her) shall not be transferred, withdrawn or donated for a period of up to 5 years.

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If any of the following happens to the participant during the lock-up period:

- (1) fails the performance assessment twice in a row;
- (2) resignation;
- (3) the employment contract is terminated by our Company under circumstances such as causing serious damage to our Company's interests, breach of the employment contract or our Company's rules and regulations, or serious violation of laws and disciplines;
- (4) retirement;
- (5) loss of civil capacity or death;
- (6) acting as a supervisor or an independent director;
- (7) other special circumstances such as the inability to hold the share of our Company due to position transfer or personnel adjustment,

the equities held by the participant shall be transferred to other employees designated by the general manager's office of our Company who are eligible for the 2020 Share Incentive Scheme or other employees in the Employee Shareholding Platforms within 90 days of the occurrence of the above-mentioned circumstances.

The basis of determining the price of recovered shares is as follows:

- (I) In the event of the above circumstances (1) – (3) occur to the participant, the transfer price of our Company's shares held by the participant shall be determined based on the audited net asset value per share of our Company at the end of the previous year when such circumstances occurred or the actual capital contribution paid by the participant (whichever is lower).
- (II) In the event of the above circumstances (4) – (7) occur to the participant, the transfer price of our Company's shares held by the participant shall be determined based on the audited net asset value per share of our Company at the end of the previous year when such circumstances occurred or the actual capital contribution paid by the participant (whichever is higher).

After the expiration of the lock-up period, the transfer and withdrawal mechanism of the participants shall be determined by our Board in accordance with the relevant laws and regulations at that time and shall be implemented after performing the corresponding procedures.

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(h) *Maximum amount of incentive shares*

The total amount of incentive shares under the 2020 Share Incentive Scheme shall not exceed 5% our issued Shares.

2. *Incentive shares granted*

As of the Latest Practicable Date, the number of incentive shares granted by our Company to our Directors and senior management of our Company and the total number of incentive shares granted to other participants under the 2020 Share Incentive Scheme is 5,980,417 Shares and 13,266,480 Shares, representing 0.40% and 0.88% of our issued Shares, respectively.

The following are a list of our Directors, senior management of our Company and other participants who have been granted incentive shares under the 2020 Share Incentive Scheme as participants and details of the number of Shares in respect of their respective granted incentive shares.

Name of Participants	Related Employee Shareholding Platforms	Date of Grant/Acquisition	Number of incentive Shares underlying the awards granted/acquired under the 2020 Share Incentive Scheme (As of the Latest Practicable Date)
Ms. Liu Jingyu	Xiamen Lihang Kaibo No. 1	December 15, 2020	913,041
	Changzhou Lihang Kaibo No. 4	September 10, 2021	164,347
	Changzhou Lihang Kaibo No. 5	February 21, 2022	60,000
Dr. Pan Fangfang	Xiamen Lihang Kaibo No. 1	December 15, 2020	913,041
Mr. Dai Ying	Xiamen Lihang Kaibo No. 1	December 15, 2020	913,041
Mr. Geng Yan'an	Xiamen Lihang Kaibo No. 1	December 15, 2020	913,041
Ms. Gao Yan	Xiamen Lihang Kaibo No. 1	December 15, 2020	913,041
Mr. Wang Xiaoqiang	Xiamen Lihang Kaibo No. 1	December 15, 2020	219,130
Mr. He Fan	Changzhou Lihang Kaibo No. 5	December 15, 2020	913,041
Mr. Xie Qiu	Changzhou Lihang Kaibo No. 2	July 14, 2021	54,782
	Changzhou Lihang Kaibo No. 4	September 10, 2021	45,652
	Changzhou Lihang Kaibo No. 6	July 14, 2021	9,130
	Changzhou Lihang Kaibo No. 9	July 14, 2021	9,130
Other participants	Xiamen Lihang Kaibo No. 1	December 15, 2020	958,691
	Changzhou Lihang Kaibo No. 1	December 15, 2020	1,670,864
	Changzhou Lihang Kaibo No. 2	December 15, 2020	1,232,605
	Changzhou Lihang Kaibo No. 3	December 15, 2020	1,049,997
	Changzhou Lihang Kaibo No. 4	December 15, 2020	1,059,127
	Changzhou Lihang Kaibo No. 5	December 15, 2020	1,446,517
	Changzhou Lihang Kaibo No. 6	December 15, 2020	1,606,952
	Changzhou Lihang Kaibo No. 7	December 15, 2020	602,607
	Changzhou Lihang Kaibo No. 8	December 15, 2020	2,008,689
	Changzhou Lihang Kaibo No. 9	December 15, 2020	858,259
	Changzhou Lihang Kaibo No. 10	December 15, 2020	712,172
Total			19,246,897

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Save as disclosed above, no award have been granted to other connected persons of our Group under the 2020 Share Incentive Scheme. As of the Latest Practicable Date, all awards have been vested, and all selected participants holding the vested awards have become limited partners of the partnerships, holding limited partnership interests in the relevant Employee Shareholding Platforms.

C. 2021 Share Incentive Scheme

The following is a summary of the principal terms of the 2021 Share Incentive Scheme of our Company as approved and adopted by our Company on November 10, 2021, and as amended from time to time. The purpose of the 2021 Share Incentive Scheme is to provide an approach for our Company to grant share awards to the key employees so as to stimulate their enthusiasm and creativity, enhance the sense of responsibility and mission of the key employees to realize long-term sustainable and healthy development of our Company, and ensure the realization of our Company's strategic goals.

The terms of the 2021 Share Incentive Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as the 2021 Share Incentive Scheme does not involve share options granted by our Company after [REDACTED]. Given that the shares under the 2021 Share Incentive Scheme have been issued, there will be no dilutive effect on the shares outstanding upon vesting of the awards under the 2021 Share Incentive Scheme. No further awards under the 2021 Share Incentive Scheme will be granted after [REDACTED].

In order to implement the 2021 Share Incentive Scheme, our Company has established Changzhou Lihang Kaibo No. 11 as a Employees Shareholding Platform. The executive partner of Changzhou Lihang Kaibo No. 11 is Changzhou Lihang Industrial, and the limited partners of Changzhou Lihang Kaibo No. 11 are 22 limited partnerships. As of the Latest Practicable Date, Changzhou Lihang Kaibo No. 11 holds 8,642,400 Shares, representing 0.57% of our issued Share.

1. *Summary of terms*

(a) *Management*

The general manager's office of our Company is responsible for (i) reviewing the list of the participants, and (ii) other management matters relating to the 2021 Share Incentive Scheme.

(b) *Method for participants to acquire shares*

Participants of 2021 Share Incentive Scheme should hold incentive shares indirectly through Employee Shareholding Platforms.

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(c) Price of incentive shares

The price paid by the participants under the 2021 Share Incentive Scheme is RMB3.9158/share.

(d) Method of determining the price of incentive shares

As agreed by all parties, and mainly based on the appraisal result issued by the asset appraisal agency and filed with state-owned assets authorities, the price of the incentive shares granted under the 2021 Share Incentive Scheme was RMB3.9158/share, which is the same as the price of the strategic investors' capital increase introduced by our Company in the same period.

(e) Participants of the 2021 Share Incentive Scheme

Eligible participants of the 2021 Share Incentive Scheme shall include senior management, middle management, key technical personnel and key business personnel (excluding independent Directors and supervisors) who have entered into employment contracts with our Company and whose latest performance evaluation results are qualified.

(f) Period between granting the award and exercising the award

The participant may exercise the award from the date on which the incentive share is granted to him/her.

(g) Lock-up period

According to the provisions of the 2021 Share Incentive Scheme, the PRC Company Law and our Articles of Association, as well as the rules and regulations relating to the lock-up period in the jurisdiction where our Shares are listed:

In general, except under certain special circumstances, from the date on which the participant acquires the shares, such shares held by the participant (including the shares of the partnership directly held by him/her and the shares of our Company indirectly held by him/her) shall not be transferred, withdrawn or donated for a period of up to 5 years.

If any of the following happens to the participant during the lock-up period:

- (1) fails the performance assessment twice in a row;
- (2) resignation;
- (3) the employment contract is terminated by our Company under circumstances such as causing serious damage to our Company's interests, breach of the employment contract or our Company's rules and regulations, or serious violation of laws and disciplines;

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- (4) retirement;
- (5) loss of civil capacity or death;
- (6) acting as a supervisor or an independent director;
- (7) other special circumstances such as the inability to hold the shares of our Company due to position transfer or personnel adjustment,

the equities held by the participant shall be transferred to other employees designated by the general manager's office of our Company who are eligible for the 2021 Share Incentive Scheme or other employees in the Partnership within 90 days of the occurrence of the above-mentioned circumstances, or exited in any other way approved by the general manager's office which includes, but is not limited to, the recovery of the incentive equity by the Partnership or our Company and granting such equity to other eligible employees or other employees in the Employee Shareholding Platforms.

The basis of determining the price of recovered shares is as follows:

- (I) In the event of the above circumstances (1) – (3) occur to the participant, the transfer price of our Company's shares held by the participant shall be determined based on the audited net asset value per share of our Company at the end of the previous year when such circumstances occurred or the actual capital contribution paid by the participant (whichever is lower).
- (II) In the event of the above circumstances (4) – (7) occur to the participant, the transfer price of our Company's shares held by the participant shall be determined based on the audited net asset value per share of our Company at the end of the previous year when such circumstances occurred or the actual capital contribution paid by the participant (whichever is higher).
- (III) In the event of the above circumstances (1) – (7) occur to the participant, from the date of such circumstances occur, the participant shall no longer enjoy the dividends, voting rights and other relevant shareholders' interests of our Company and/or the Employee Shareholding Platforms corresponding to the shares of our Company indirectly held by him/her and the interests of the Employee Shareholding Platforms directly held by him/her.

After the expiration of the lock-up period, the transfer and withdrawal mechanism of the participant shall be determined by our Board in accordance with the relevant laws and regulations at that time and shall be implemented after performing the corresponding procedures.

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(h) *Maximum amount of incentive shares*

The total amount of incentive shares under the 2020 Share Incentive Scheme and 2021 Share Incentive Scheme shall not exceed 5% of our total issued Shares.

2. *Incentive shares granted*

As of the Latest Practicable Date, the number of incentive shares granted the participants (all employees, not being our Directors or senior management of our Group) under the 2021 Share Incentive Scheme by our Company is 8,642,400 Shares, representing 0.57% of our issued Share.

No awards under the 2021 Share Incentive Scheme have been granted to connected persons of our Company. As of the Latest Practicable Date, all awards have been vested, and all selected participants holding the vested awards have become limited partners of the partnerships, holding limited partnership interests in the relevant Employee Shareholding Platforms.

6. OTHER INFORMATION

A. Estate Duty

We have been advised that no material liability for estate duty under the PRC law is likely to fall upon our Company or any members of our Group.

B. Litigation

As of the Latest Practicable Date, save as disclosed in the section headed “Business” in this document, we are not involved in any other material litigation, arbitration or administrative proceedings, and so far as our Directors are aware, no such material litigation, arbitration or administrative proceedings are pending or threatened against any members of our Group.

C. Sole Sponsor

The Sole Sponsor has declared its independence pursuant to Rule 3A.07 of the Listing Rules. The Sole Sponsor [has] made an application on our behalf to the Stock Exchange for permission of our H Shares to be issued pursuant to the [REDACTED] (including the additional H Shares which may be issued pursuant to the exercise of the [REDACTED]).

We have entered into an engagement agreement with the Sole Sponsor, pursuant to which we agreed to pay USD1 million to the Sole Sponsor to act as the sponsor to our Company in the [REDACTED].

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G. Promoters

The promoters of our Company are as follows:

No.	Names of the promoters
1	Changzhou Lihang Kaibo No. 1
2	Changzhou Lihang Kaibo No. 2
3	Changzhou Lihang Kaibo No. 3
4	Changzhou Lihang Kaibo No. 4
5	Changzhou Lihang Kaibo No. 5
6	Changzhou Lihang Kaibo No. 6
7	Changzhou Lihang Kaibo No. 7
8	Changzhou Lihang Kaibo No. 8
9	Changzhou Lihang Kaibo No. 9
10	Changzhou Lihang Kaibo No. 10
11	Chengfei Integration
12	Chenyi Pengqi
13	China Insurance Investment Advanced Manufacturing
14	China Insurance Investment No. 1 New Energy
15	China Insurance Investment No. 2 New Energy
16	China Insurance Investment Strategic Emerging
17	Chuanghe Xincai
18	Getian Star
19	Guangqi Ruidian
20	Guolian Tongjin
21	Guolian Tongkun
22	Guolian Tongwu
23	Hongshan Kaichen
24	Huake Engineering
25	Huake Investment
26	Huaxian Automobile
27	Jinli Investment
28	Jinsha Investment
29	Jinyuan Investment
30	Jinyuan Industry
31	Lihang Jinzhi
32	Link Cornerstone
33	Ma'anshan Cornerstone
34	Ma'anshan Shengtuo
35	Xiamen Lihang Kaibo No. 1
36	Xiaomi Yangtze River Industry

Within the two years preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the [REDACTED] and the related transactions described in this document.

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

H. Consents of Experts

Each of the experts as referred to in the paragraph headed “6. Other Information – F. Qualification of Experts” of this Appendix has given, and has not withdrawn, its respective written consents to the issue of this document with the inclusion of its reports and/or letter(s) and/or opinion(s) and/or the references to its name included herein in the form and context in which it is respectively included.

As of the Latest Practicable Date, none of the experts named above has any shareholding interests in any members of our Group or the right (other than the penal provisions) of sections 44A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

I. Taxation of Holders of our H Shares

The sale, purchase and transfer of our H shares are subject to Hong Kong stamp duty if such sale, purchase and transfer are effected on the H share register of members of our Company, including in circumstances where such transaction is effected on the Stock Exchange. The current rate of Hong Kong stamp duty for such sale, purchase and transfer is a total of HK\$1.30 for every HK\$1,000 (or part thereof) of the consideration or, if higher, the fair value of our H shares being sold or transferred. For further information in relation to taxation, please see “Taxation and foreign exchange” in Appendix III to this document.

J. No Material Adverse Change

Our Directors confirm that, after performing all due diligence work, there has been no material adverse change in our financial or operational position since December 31, 2021 and up to the Latest Practicable Date.

K. Binding effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

L. Related Party Transactions

Within the two years immediately preceding the date of this document, we have entered into the related party transactions as described in Note 51 to the financial information in the Accountant’s Report set out in Appendix I.

M. Agency Fees or Commissions Paid or Payable

Save as disclosed in the section headed “[REDACTED] – Commission and Expenses and Sole Sponsor’s Fee” in connection with the [REDACTED] in this document, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of any members of our Group within the two years preceding the date of this document.

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

N. Miscellaneous

Save as disclosed in this document:

- (a) within the two years immediately preceding the date of this document, we have not issued or agreed to issue any Share or loan capital fully or partly paid either for cash or for a consideration other than cash;
- (b) no share or loan capital of our Group, if any, is under option or is agreed conditionally or unconditionally to be put under option;
- (c) we have not issued or agreed to issue any founder Shares, management Shares or deferred Shares;
- (d) our Company has no outstanding convertible debt securities or debentures;
- (e) there are no restrictions affecting the remittance of profits or repatriation of capital by us into Hong Kong from outside Hong Kong;
- (f) within the two years immediately preceding the date of this document, no commission, discount, brokerage or other special term has been granted in connection with the issue or sale of any capital of our Company;
- (g) there is no arrangement under which future dividends are waived or agreed to be waived;
- (h) there has been no interruption in our business which may have or have had a significant effect on the financial position in the last 12 months;
- (i) none of the equity and debt securities of our Company, if any, is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought;
- (j) our Company is a joint stock limited company and is subject to the PRC Company Law; and
- (k) our Company is not or expects not to be subject to the Sino-foreign Joint Venture Law of the PRC (中外合資經營企業法).

O. Bilingual Document

The English language and Chinese language versions of this document are being published separately, in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

APPENDIX VII **DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND DOCUMENTS ON DISPLAY**

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of the [REDACTED];
- (b) a copy of the material contract referred to in “Statutory and General Information – 2. Further information about our business – A. Summary of our material contracts” in Appendix VI to this document; and
- (c) the written consents referred to in “Statutory and General Information – 6. Other information – H. Consents of experts” in Appendix VI to this document.

DOCUMENTS ON DISPLAY

Copies of the following documents will be on display on the website of the Stock Exchange at www.hkexnews.hk and our website at www.calb-tech.com during a period of 14 days from the date of this document:

- (a) the Articles of Association;
- (b) the Accountant’s Report of RSM Hong Kong, the text of which is set out in Appendix I to this document;
- (c) the audited consolidated financial statements of our Group for the two years ended December 31, 2020 and 2021;
- (d) the report on the unaudited pro forma financial information from RSM Hong Kong, the text of which is set out in Appendix II to this document;
- (e) the PRC legal opinions issued by Jia Yuan Law Offices, our PRC Legal Advisor, in respect of certain aspects of our Group;
- (f) the PRC Company Law, the Mandatory Provisions and the Special Regulations together with their unofficial translation;
- (g) the written consents referred to in “Statutory and General Information – 6. Other information – H. Consents of experts” in Appendix VI to this document;
- (h) the material contracts referred to in “Statutory and General Information – 2. Further information about our business – A. Summary of our material contracts” in Appendix VI to this document;

APPENDIX VII

**DOCUMENTS DELIVERED TO THE REGISTRAR OF
COMPANIES IN HONG KONG AND DOCUMENTS ON DISPLAY**

- (i) the service contracts referred to in “Statutory and General Information – 3. Further information about our Directors and Supervisors – A. Particulars of Directors’ and Supervisors’ contracts” in Appendix VI to this document;
- (j) the industry report issued by Frost & Sullivan, the summary of which is set forth in the section headed “Industry Overview” in this document; and
- (k) the legal opinion issued by Stephen Peepels, our legal advisor to international sanctions law.