

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



**CALB Group Co., Ltd.**

**中創新航科技集團股份有限公司**

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

**(Stock Code: 3931)**

## **ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2022**

The board (the “**Board**”) of directors (the “**Directors**”) of CALB Group Co., Ltd. (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”, “**CALB**”, “**we**” or “**us**”) for the year ended December 31, 2022 (the “**Reporting Period**”), together with the comparative figures for the year ended December 31, 2021, as follows:

### **FINANCIAL SUMMARY**

- The revenue of the Group increased by 198.9% from RMB6,817.12 million for the year ended December 31, 2021 to RMB20,374.94 million for the year ended December 31, 2022.
- The profit attributable to the owners of the Company increased by 393.9% from RMB140.03 million for the year ended December 31, 2021 to RMB691.63 million for the year ended December 31, 2022.
- The basic earnings per share of the Group increased by 290.8% from RMB0.1128 for the year ended December 31, 2021 to RMB0.4408 for the year ended December 31, 2022.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	Note	2022 RMB'000	2021 RMB'000 (Re-presented)
<b>Revenue</b>	5	<b>20,374,942</b>	6,817,115
Cost of sales		<u>(18,271,422)</u>	<u>(6,306,165)</u>
<b>Gross profit</b>		<b>2,103,520</b>	510,950
Investment and other income	6	<b>191,430</b>	176,247
Government grants and subsidies	7	<b>17,419</b>	80,317
Other losses, net	8	<b>(62,872)</b>	(89,541)
Selling expenses		<b>(288,264)</b>	(149,167)
Administrative expenses		<b>(590,974)</b>	(334,419)
Research and development expenses		<b>(664,758)</b>	(222,523)
Gain on disposal of subsidiaries		–	347,240
Impairment loss on investment in associates		–	(178,700)
Reversal of impairment losses/(impairment losses) on trade and bills receivables		<b>9,315</b>	(26,600)
Impairment losses on prepayments, deposits and other receivables		<u><b>(3,157)</b></u>	<u>(682)</u>
<b>Profit from operations</b>		<b>711,659</b>	113,122
Finance costs	10	<b>(65,217)</b>	(24,975)
Share of losses of associates		<u><b>(815)</b></u>	<u>(24,714)</u>
<b>Profit before tax</b>		<b>645,627</b>	63,433
Income tax credit	11	<u><b>47,910</b></u>	<u>48,107</u>
<b>Profit for the year</b>	12	<u><b>693,537</b></u>	<u>111,540</u>
<b>Attributable to:</b>			
Owners of the Company		<b>691,626</b>	140,029
Non-controlling interests		<u><b>1,911</b></u>	<u>(28,489)</u>
		<u><b>693,537</b></u>	<u>111,540</u>
<b>Earnings per share</b>	14		
Basic (RMB per share)		<u><b>0.4408</b></u>	<u>0.1128</u>
Diluted (RMB per share)		<u><b>0.4408</b></u>	<u>0.1128</u>

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i> (Re-presented)
<b>Profit for the year</b>	<u>693,537</u>	<u>111,540</u>
<b>Other comprehensive income/(expense):</b>		
Item that will not be reclassified to profit or loss:		
Fair value changes of equity instruments at fair value through other comprehensive income (FVTOCI)	<u>(120,654)</u>	<u>–</u>
Item that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	(7,640)	(13)
Share of other comprehensive expense of associates	–	(165)
Share of other comprehensive expense of associates reclassified to profit and loss upon disposal of associates	<u>503</u>	<u>–</u>
<b>Other comprehensive income/(expense) for the year, net of tax</b>	<u>(127,791)</u>	<u>(178)</u>
<b>Total comprehensive income for the year</b>	<u><u>565,746</u></u>	<u><u>111,362</u></u>
<b>Attributable to:</b>		
Owners of the Company	563,835	139,893
Non-controlling interests	<u>1,911</u>	<u>(28,531)</u>
	<u><u>565,746</u></u>	<u><u>111,362</u></u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2022

	Note	2022 RMB'000	2021 RMB'000 (Re-presented)
<b>Non-current assets</b>			
Property, plant and equipment		45,527,632	15,172,539
Right-of-use assets		1,618,177	643,374
Intangible assets		1,373,277	1,075,007
Investments in associates		16,351	1,104,966
Other financial assets		670,565	–
Deposits paid for acquisition of property, plant and equipment		3,312,789	1,675,984
Deferred tax assets		582,380	362,537
		<u>53,101,171</u>	<u>20,034,407</u>
<b>Current assets</b>			
Inventories		11,821,947	1,756,784
Trade and bills receivables	15	5,335,457	2,714,704
Prepayments, deposits and other receivables		6,149,868	1,645,749
Amounts due from related parties		952,154	1,924,932
Other financial assets		177,090	6,182,575
Current tax assets		6,036	–
Pledged bank deposits		1,984,783	1,251,564
Restricted bank balances		298	252
Bank and cash balances		10,931,814	3,109,518
		<u>37,359,447</u>	<u>18,586,078</u>
<b>Current liabilities</b>			
Trade and bills payables	16	21,646,762	6,316,866
Accruals and other payables		7,090,209	2,118,779
Contract liabilities		490,532	106,918
Amounts due to related parties		471,652	22,864
Lease liabilities		23,969	11,042
Bank borrowings		2,479,634	3,647
Provisions		508,826	136,396
Financial guarantees		–	12,354
Put option liabilities		–	941,132
Current tax liabilities		63,367	220,352
		<u>32,774,951</u>	<u>9,890,350</u>
<b>Net current assets</b>		<u>4,584,496</u>	<u>8,695,728</u>
<b>Total assets less current liabilities</b>		<u>57,685,667</u>	<u>28,730,135</u>

	<i>Note</i>	2022 <b>RMB'000</b>	2021 <b>RMB'000</b> (Re-presented)
<b>Non-current liabilities</b>			
Deferred income		679,250	835,145
Lease liabilities		92,448	15,709
Bank borrowings		15,227,842	2,887,000
Deferred tax liabilities		<u>110,668</u>	<u>6,157</u>
		<u>16,110,208</u>	<u>3,744,011</u>
<b>NET ASSETS</b>		<b><u>41,575,459</u></b>	<b><u>24,986,124</u></b>
<b>Capital and reserves</b>			
Equity attributable to owners of the Company			
Share capital/Paid-in capital		1,772,302	1,506,457
Reserves		<u>32,607,016</u>	<u>22,655,437</u>
		<u>34,379,318</u>	<u>24,161,894</u>
Non-controlling interests		<u>7,196,141</u>	<u>824,230</u>
<b>TOTAL EQUITY</b>		<b><u>41,575,459</u></b>	<b><u>24,986,124</u></b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 1. GENERAL INFORMATION

CALB Group Co., Ltd. (中創新航科技集團股份有限公司) (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), CALB Technology Holding Co., Ltd.\* (中航鋰電科技股份有限公司) and CALB Co., Ltd. (中創新航科技股份有限公司)) is a joint stock limited company registered in the People's Republic of China (the "PRC"). The Company's H shares have been listed on The Stock Exchange of Hong Kong Limited since 6 October 2022. The address of its registered office and its principal place of business is No. 1 Jiangdong Avenue, Jintan District, Changzhou City, Jiangsu Province, the PRC.

The Company has been engaging in the design, research and development, production and sales of EV batteries and ESS products.

## 2. BASIS OF PREPARATION

These consolidated financial statements have 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. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

## 3. ADOPTION OF NEW AND REVISED IFRSS

### (a) Application of new and revised IFRSs

The Group has applied 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 2022 for the preparation of the consolidated financial statements:

Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRS 3	Reference to the Conceptual Framework
Annual Improvements Project	Annual Improvements to IFRS Standards 2018-2020

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 in prior year.

The Group did not change its accounting policies or make retrospective adjustments as a result of adopting the abovementioned amend standards or annual improvements.

**(b) New and revised IFRSs in issue but not yet effective**

The Group has not applied any new standard, amendments to standards and interpretation that have been issued but are not yet effective for the financial year beginning 1 January 2022. The new standard, amendments to standards and interpretation include the following which may be relevant to the Group.

	<b>Effective for accounting periods beginning on or after</b>
Amendments to IAS 1 – Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IAS 1 – Non-current Liabilities with Covenants	1 January 2024
Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8 – Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12 – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
Amendments to IAS 16 – Lease Liability in a Sales and Leaseback	1 January 2024
Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the IASB
Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024

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 it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

#### 4. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group receives various government grants from local governments. Due to the growing scale of the Group's operation all over the PRC mainland region, the amount of government grants has increased as well. More government grants have conditions that relate to expenditures incurred and the Group might well not have incurred such expenditures if the relevant government grant had not been available. Government grants related to assets reduce the funds required for acquisition or construction.

To address these changes in circumstances and developments, during the current year, the Directors have resolved, and shareholders subsequently approved in extraordinary general meeting, to adopt the new accounting policy and presentation method of government grants of the consolidated financial statements. In the opinion of the Directors, the above changes can more faithfully represent and provide more relevant information about the financial position and operating results of the Group that are increasingly affected by government grants.

Before the change, asset-related government grants are presented as deferred income and the grant income being recognised in the same period in which the asset is depreciated. Income-related government grants are presented separately in the consolidated statement of profit or loss.

After the change, asset-based government grants are presented in consolidated statement of financial position by deducting the grant in arriving at the carrying amount of the asset and the grant income being recognised as reduced depreciation charge in the same period in which the asset is depreciated. Income-related government grants are deducted in reporting the related expenses. The change has been applied retrospectively, the corresponding figures in the comparative financial statements have been re-presented as a result.

The following summarised the accounting balances and transactions affected by the change in accounting policy and disclosure of government grants for the prior financial reporting year:

Items	As previously reported <i>RMB'000</i>	Effect of change in accounting policy and disclosure <i>RMB'000</i>	As re-presented <i>RMB'000</i>
<b>As at 1 January 2021</b>			
Property, plant and equipment	8,566,468	(200,023)	8,366,445
Right-of-use assets	546,008	(9,424)	536,584
Deferred income	(217,774)	209,447	(8,327)
<b>As at 31 December 2021</b>			
Property, plant and equipment	15,251,502	(78,963)	15,172,539
Deferred income	(914,108)	78,963	(835,145)
<b>For the year ended 31 December 2021</b>			
Cost of sales	(6,438,837)	132,672	(6,306,165)
Selling expenses	(160,311)	11,144	(149,167)
Administrative expenses	(412,062)	77,643	(334,419)
Research and development expenses	(285,256)	62,733	(222,523)
Government grants and subsidies	364,509	(284,192)	80,317



The following summarised the accounting balances and transactions affected by the change in accounting policy and disclosure of government grants for the current year:

<b>Items</b>	<b>Before change of accounting policy and disclosure related to government grants <i>RMB'000</i></b>	<b>Effect of change in accounting policy and disclosure <i>RMB'000</i></b>	<b>After change of accounting policy and disclosure related to government grants <i>RMB'000</i></b>
<b>As at 1 January 2022</b>			
Property, plant and equipment	15,251,502	(78,963)	15,172,539
Deferred income	(914,108)	78,963	(835,145)
<b>As at 31 December 2022</b>			
Property, plant and equipment	45,633,338	(105,706)	45,527,632
Deferred income	(784,956)	105,706	(679,250)
<b>For the year ended 31 December 2022</b>			
Cost of sales	(18,855,652)	584,230	(18,271,422)
Selling expenses	(439,366)	151,102	(288,264)
Administrative expenses	(847,599)	256,625	(590,974)
Research and development expenses	(1,167,707)	502,949	(664,758)
Finance costs	(65,983)	766	(65,217)
Government grants and subsidies	1,513,091	(1,495,672)	17,419

## 5. REVENUE

### (a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service line for the year is as follows:

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue from contracts with customers within the scope of IFRS 15		
Sales of EV battery	<b>18,323,505</b>	6,065,200
Sales of ESS products and others	<b>2,051,437</b>	751,915
	<b>20,374,942</b>	6,817,115

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:

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
Primary geographical markets		
– Mainland China	<b>19,988,435</b>	6,643,764
– Europe	<b>83,175</b>	67,161
– Asia	<b>213,353</b>	44,371
– America	<b>89,979</b>	61,653
– Others	–	166
	<b>20,374,942</b>	6,817,115
Timing of revenue recognition		
Products transferred at a point in time	<b>20,334,429</b>	6,812,274
Products and services transferred over time	<b>40,513</b>	4,841
	<b>20,374,942</b>	6,817,115

### (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:

	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 1 year	<b>490,532</b>	106,918

## 6. INVESTMENT AND OTHER INCOME

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest income on:		
Bank deposits	120,739	66,882
Financial assets at FVTOCI	<u>63,504</u>	<u>105,384</u>
<b>Total interest income</b>	<b>184,243</b>	172,266
Compensation from suppliers	5,335	1,520
Insurance compensation income	853	997
Others	<u>999</u>	<u>1,464</u>
	<b><u>191,430</u></b>	<b><u>176,247</u></b>

## 7. GOVERNMENT GRANTS AND SUBSIDIES

During the year, the Group recognised government grants and subsidies as follow:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i> (Re-presented)
<b>Related to income</b>		
Research and development subsidies	4,640	52,530
Industry development subsidies	9,994	23,837
Subsidies on recruitment	1,265	2,876
Others	<u>1,520</u>	<u>1,074</u>
	<b><u>17,419</u></b>	<b><u>80,317</u></b>

The government grants and subsidies were received for compensation for or reimbursement of costs or expenses previously incurred and recognised in profit or loss in the period in which they became receivable.

During the year ended 31 December 2022, the Group received government grants and subsidies from related entities of Government of Jintan District of approximately RMB88 million (2021: RMB142 million).

## 8. OTHER LOSSES, NET

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Fair value change in financial assets at FVTPL	(38,281)	13,705
Fair value change in financial guarantees	12,354	1,755
Fair value change in put option liabilities	275,669	(14,512)
Loss on disposal of subsidiaries	(503)	–
Impairment losses on intangible asset	–	(15)
Allowance for inventories	(268,006)	(90,088)
Net foreign exchange losses	(43,589)	(361)
Net loss on lease modification	(1,132)	–
Net gain/(loss) on disposals of property, plant and equipment	616	(25)
	<u>616</u>	<u>(25)</u>
	<u>(62,872)</u>	<u>(89,541)</u>

## 9. SEGMENT INFORMATION

The Group is mainly engaged in 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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Customer G	8,056,758	3,537,094
Customer X <sup>#</sup>	3,457,134	N/A
Customer C <sup>*</sup>	N/A	946,661

<sup>#</sup> Revenue from this customer amounted to less than 10% of the total revenue of the Group for the years ended 31 December 2021.

<sup>\*</sup> Revenue from this customer amounted to less than 10% of the total revenue of the Group for the year ended 31 December 2022.

## 10. FINANCE COSTS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest expenses on lease liabilities	4,691	695
Interest on bank borrowings	355,737	81,119
Interest on other loans	–	6,717
	<u>–</u>	<u>6,717</u>
<b>Total borrowing costs</b>	<b>360,428</b>	<b>88,531</b>
Amount capitalised	(295,211)	(63,556)
	<u>(295,211)</u>	<u>(63,556)</u>
	<u>65,217</u>	<u>24,975</u>

## 11. INCOME TAX CREDIT

Income tax credit has been recognised in profit or loss as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current tax – the PRC		
Provision for the year	(63,127)	(220,352)
Over provision in prior years	15,054	–
	(48,073)	(220,352)
Current tax – Germany		
Provision for the year	(261)	–
Deferred tax	96,244	268,459
	<u>47,910</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.

The Company and 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 the Company and those subsidiaries to enjoy the reduced EIT rate of 15%.

## 12. PROFIT FOR THE YEAR

The Group’s profit for the year is stated after charging/(crediting) the following:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i> (Re-presented)
Allowance for inventories (note 8)	268,006	90,088
Amortisation of intangible assets	137,620	83,431
Auditor’s remuneration		
– Audit services	3,651	283
– Non-audit services	1,293	–
– Listing related services*	16,999	–
Cost of inventories sold	18,271,422	6,306,165
Depreciation of property, plant and equipment	772,475	420,609
Depreciation of right-of-use assets	52,310	20,461
Net (gain)/loss on disposals of property, plant and equipment (note 8)	(616)	25
Net loss on lease modification (note 8)	1,132	–
Impairment losses on intangible assets (note 8)	–	15
(Reversal of impairment losses)/impairment losses on trade and bills receivables	(9,315)	26,600
Impairment losses on prepayments, deposits and other receivables	3,157	682

\* Such services fee was deducted to the proceeds from the issue of ordinary shares.

### 13. DIVIDENDS

No dividend has been paid or proposed during the year (2021: Nil).

### 14. EARNINGS PER SHARE

The calculation of the basic earnings per share during the year is based on the 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.

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 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 2021, at the exchange ratio established in the conversion in November 2021.

#### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company of approximately RMB691,626,000 (2021: RMB140,029,000), and the weighted average number of ordinary shares of approximately 1,569,094,000 (2021: 1,241,141,000) in issue during the year.

#### (b) Diluted earnings per share

No diluted earnings per share was presented for the year ended 31 December 2022 and 2021 as the Company did not have any dilutive potential ordinary shares.

### 15. TRADE AND BILLS RECEIVABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Trade receivables</b>		
Receivables from third parties	3,609,901	1,477,522
Due from related parties	330	666,037
Allowance for doubtful debts	<u>(27,876)</u>	<u>(37,191)</u>
	3,582,355	2,106,368
Bills receivables	<u>1,753,102</u>	<u>608,336</u>
	<u><b>5,335,457</b></u>	<u><b>2,714,704</b></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.

The aging analysis of trade receivables based on the invoice date, and net of allowance, is as follows:

	<b>2022</b> <b>RMB'000</b>	2021 <i>RMB'000</i>
0 to 180 days	<b>3,518,891</b>	2,077,688
181 to 365 days	<b>44,688</b>	7,559
1 – 2 years	<b>18,776</b>	21,121
	<b><u>3,582,355</u></b>	<u>2,106,368</u>

Reconciliation of allowance for trade receivables:

	<b>2022</b> <b>RMB'000</b>	2021 <i>RMB'000</i>
At 1 January	<b>37,191</b>	119,614
(Reversal of allowance)/allowance for the year, net	<b>(9,315)</b>	26,600
Disposal of subsidiaries	<b>–</b>	(109,023)
At 31 December	<b><u>27,876</u></b>	<u>37,191</u>

The fair values of trade and bills receivables of the Group approximated to their carrying amounts.

Bills receivables represent short-term bank acceptance bills receivables 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 bank acceptance bills to suppliers in order to settle trade payables and discounts bank acceptance bills to banks in order to obtain working capital.

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 receivables 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 remote. 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, is amounted to RMB2,594,909,000 (2021: RMB111,950,000).

The Group discounted certain bank acceptance bills to banks for obtaining working capital and has derecognised these bank acceptance bills in their entirety. These discounted 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 the Group has minimum exposure in respect of the settlement obligation of these bills under the commercial practice in the PRC, 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 chance of non-settlement of these bills by the issuing banks on maturity date is remote. The Group's maximum exposure to loss and undiscounted cash outflow, should the issuing banks fail to settle the bills on maturity date, is amounted to RMB940,033,000 (2021: RMB Nil).

Bills receivable of RMB108,810,000 (2021: 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, hence these discounted bills were not derecognised.

The carrying amounts of the Group's trade and bills receivables are denominated in the following currencies:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
RMB	5,306,777	2,707,451
US\$	25,490	7,120
EUR	3,190	133
	<u>5,335,457</u>	<u>2,714,704</u>

#### 16. TRADE AND BILLS PAYABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade payables		
Payables to third parties	7,656,059	3,241,652
Due to related parties	646,562	203,526
Bills payables	13,344,141	2,871,688
	<u>21,646,762</u>	<u>6,316,866</u>

Bills payables were secured by bills receivables of RMB757,722,000 (2021: RMB476,004,000).

The aging analysis of trade payables, based on the date of receipt of goods is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
0 to 180 days	8,297,125	3,439,948
181 – 365 days	4,939	976
1 – 2 years	11	654
Over 2 years	546	3,600
	<u>8,302,621</u>	<u>3,445,178</u>

The carrying amounts of the Group's trade and bills payables are denominated in the following currencies:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
RMB	21,642,493	6,314,271
US\$	4,269	2,595
	<u>21,646,762</u>	<u>6,316,866</u>



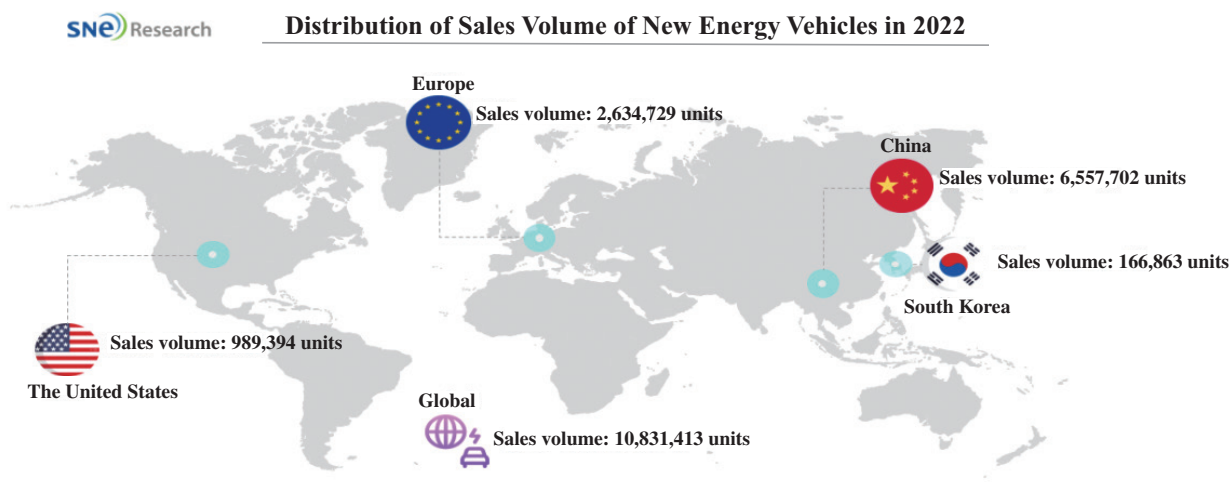
## MANAGEMENT DISCUSSION AND ANALYSIS

### I. The Industry which the Company Operates in

#### 1. EV battery market

In recent years, with the issues of global ecological environment and climate warming becoming increasingly pressing, governments around the world are set to accelerate the transformation of energy structure towards clean energy, declaring carbon emission reduction targets one after another. According to Net Zero Tracker, over 130 countries have declared carbon neutrality targets. EV battery is one of the important carriers of green and clean energy, becoming increasingly important in the wake of the general trend of carbon emission reduction.

According to SNE Research, the global sales volume of new energy vehicles reached 10.831 million units in 2022, representing a year-on-year increase of 61.6%. Driven by the “Infrastructure Plan” issued by the government for the proposed investment of US\$174.0 billion to bolster up the development of the electric vehicle market in the United States as well as various supportive policies, the sales volume of new energy vehicles in the United States reached approximately 0.989 million units, representing a year-on-year increase of 55%; with European Union and the United Kingdom being fairly determined to fully switch to electrification, coupled with the incentives of subsidies for procurement of new energy vehicles by the European governments, the sales volume in Europe reached 2.635 million units in 2022, representing a year-on-year increase of 11%.



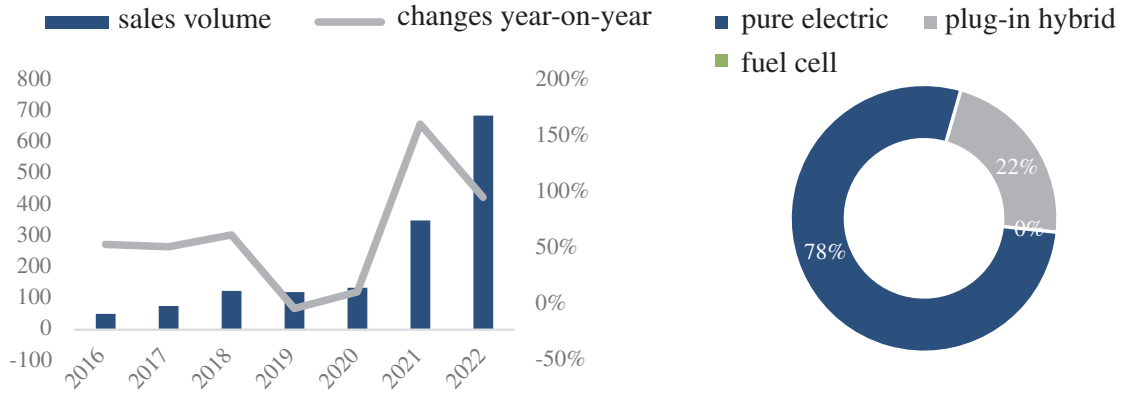
Source: SNE Research

In 2022, China’s automobile industry delivered a high growth, with its market share of global new energy vehicle market exceeding 60%, making it the world’s largest new energy vehicle market. The penetration rate of new energy vehicles in China is at the stage of accelerated rise in the S-shaped curve. According to the China Association of Automobile Manufacturers, the production volume and sales volume of new energy vehicles in China were 7.058 million and 6.887 million units, respectively, in 2022, representing a year-on-year increase of 96.9% and 93.4%, respectively; the electrification rate was 25.6%, representing an increase of 12.2 percentage points as

compared with last year. In 2022, the sales volume of pure electric vehicles was 5.365 million units, representing a year-on-year increase of 81.6%; the sales volume of plug-in hybrid electric vehicles was 1.518 million units, representing a year-on-year increase of 150%.

**Annual sales volume of new energy vehicles and changes year-on-year (ten thousand units/%)**

**Distribution of sales volume of different power types in 2022 (%)**

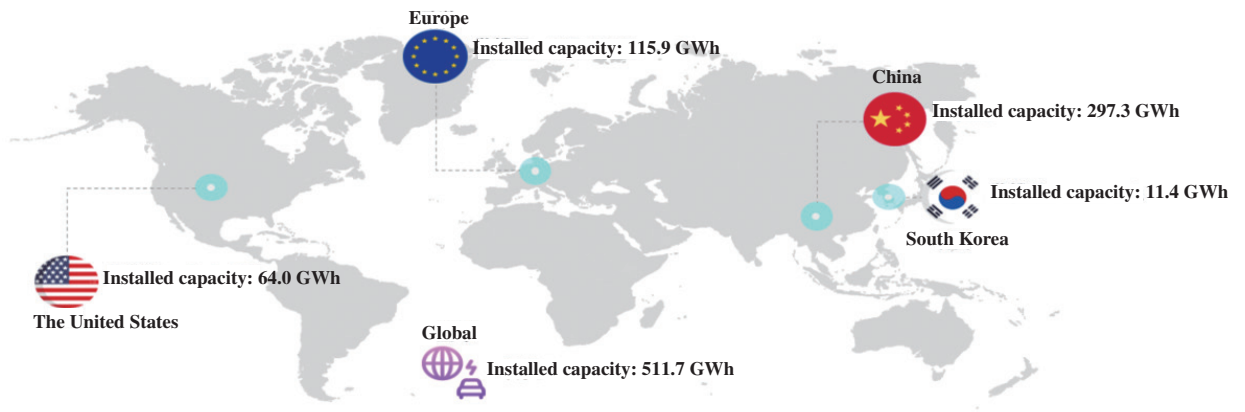


Source: China Association of Automobile Manufacturers

Driven by the swift growth of the new energy automobile industry, the demand for EV batteries has experienced a rapid upsurge. According to SNE Research, the global installed capacity of EV batteries for new energy vehicles reached 511.7GWh in 2022, representing a year-on-year increase of 71.8%. Specifically, the total installed capacity in the Chinese market was 297.3GWh, representing a year-on-year increase of 99.6% and accounting for 58%; the installed capacity in the European market was 115.9GWh, representing a year-on-year increase of 28% and accounting for 23%; the total installed capacity in the U.S. market was 64GWh, representing a year-on-year increase of 61% and accounting for 12.5%; and the total installed capacity in the South Korean market was 11.4GWh, representing a year-on-year increase of 63% and accounting for 2.2%. The EV battery market continued to see good momentum in business development.



**Distribution of Global Installed Capacity in 2022**



Source: SNE Research

## **2. *Energy storage market***

In recent years, the installed capacity of clean energy represented by wind power and photovoltaic power has continued to grow. Given the fact that clean energy power generation is greatly affected by seasons, weather and regions, and has the characteristics of instability and imbalance, while electrochemical energy storage products can improve the reliability and stability of power supply, the popularization of their application is conducive to the widespread utilization of clean energy. With the gradual introduction of supporting policies and the improvement of various performance indicators such as safety and circular life of energy storage products, there will be a great market development potential.

The requirement of wind and photovoltaic power distributable storage and a specific cost compensation mechanism have been introduced in certain provinces to increase the revenue of energy storage power stations through shared leasing, capacity compensation, and participation in power market transactions. In the future, with the gradual increase in demand for green power, the revenue of energy storage power stations can also be further improved by partial green power transaction premium. From the perspective of energy safety and security, the advantages in user-side, industrial and commercial energy storage segment have also begun to emerge. The Russia-Ukraine conflict has triggered a sharp spike in the price of imported fossil fuels, which promoted a transition to renewable energy sources, mainly solar and wind power, in countries heavily depending on traditional energy sources. Major countries in Europe and the United States are also increasing the installed capacity targets of photovoltaic and wind power based on their own carbon neutrality goals. The market demand for household photovoltaic power and distributable storage is also growing rapidly.

The International Energy Agency predicts that the global installed capacity of renewable energy will increase by 2,400 GWh between 2022 and 2027, which is equivalent to current total installed capacity of power in China. According to China National Energy Administration, in 2022, China's newly installed capacity of wind power and photovoltaic power generation was 125GWh, representing a year-on-year increase of 23.8% and accounting for 62.8% of newly installed capacity of power generation in China.

## II. Business Review

As an international leading new energy technology enterprise, the Group is committed to becoming an energy value creator. Adhering to the mission of “beyond commerce, bettering mankind” and the vision of “mutually beneficial, achieving greatness”, we will continue to shape a healthy ecology of the new energy industry by pioneering innovation and technology leadership, and do our utmost to achieve the Dual Carbon goal and the new energy vehicle strategy, and fulfill our responsibilities for human energy security and sustainable development.

### 1. Main business

The Group is principally engaged in the design, research and development, production and sales of EV batteries<sup>(1)</sup> and ESS products<sup>(2)</sup>. The Group has established a comprehensive energy operation system, providing comprehensive product solutions and life-cycle management for the new energy full-scenario application market represented by power and energy storage industries.

### 2. Main products

The Group is committed to forging a competitiveness-oriented approach for EV batteries and ESS products while persisting in the efficient use of resources and supporting sustainable social development. The Group’s main products include:

- (1) Ternary products: possessing the characteristics of high energy density, ultra-fast charging, long battery life and excellent safety, making it one of the best battery system solutions for passenger vehicles.
  - 1) the 400V 2C medium-nickel battery can achieve 20%-80% charging within 18 minutes, and has been applied on the all-new 100kWh models of automakers, and the charging time is shortened by 50% as compared with the previous generation;
  - 2) the 800V 4C medium-nickel battery can achieve 20%-80% charging within 10 minutes, alleviating users’ anxiety of replenishing energy;
  - 3) the 800V 6C high nickel battery is the 46 series of large cylinder products developed by the Group, has undergone structural innovation. Compared with other structures such as tabless and all tab, the internal resistance of the structure is reduced by 50%, and the space utilization rate is increased by 3%, achieving 80% charging within 8 minutes with an energy density of up to 300Wh/kg;

<sup>(1)</sup> Batteries to provide power to new energy vehicles (NEV).

<sup>(2)</sup> Batteries to apply to energy storage scenarios.

- 4) the high nickel multi-element battery is the high-energy battery with energy density of cells reaching 350Wh/kg developed by the Group, has achieved new breakthroughs in safety and life. Through innovative technologies such as “extremely high-quality” safe electrolyte, the product has passed the nail penetration test (puncture) with a cycle life of over 1,500 times.
- (2) Phosphate series products: possessing the characteristics of super safety, long life and cost-effectiveness.
    - 1) the high-power LEP battery, featuring high power and all-climate scenario application, which are high-quality products developed for the hybrid passenger vehicle market, and have been delivered in batches for hybrid models of automakers;
    - 2) Long-life LEP energy storage battery, featuring long life, high efficiency and high safety, it is a customized product developed based on concerns of the application of energy storage scenarios to support the application of energy storage products and solutions in all scenarios;
    - 3) the One-Stop LFP battery, integrating high energy, high strength and high power, with the energy density of the battery pack of 152Wh/Kg, supporting a range of over 600km;
    - 4) the One-Stop high-manganese iron lithium battery, without nickel and cobalt consumption, 15% reduction in lithium consumption, and energy density of battery pack of 180Wh/Kg, which supports a range of over 700km.
  - (3) Energy storage products: intense devotion to power storage (new energy power generation and power grid), industrial and commercial energy storage, household energy storage, providing users with full-scenario energy storage products and solutions:

Power storage application scenario:

- 1) The Group’s liquid-cooled/air-cooled container products integrated high safety, high integration efficiency and long battery life. In terms of system integration application, the number of system integrated components can be reduced by over 20%, the integrated power per unit area is increased by over 30%, helping customers significantly reduce the initial investment cost and the levelized cost of energy (LCOE) in the full life cycle;

- 2) For industrial and commercial energy storage application scenario, the development of the Group's outdoor integrated cabinets and containers was completed, with the advantages of modular design, active safety system, intelligent power distribution system, safety and reliability, and economic efficiency, supporting peak and off-peak power price difference arbitrage to maximize the commercial benefits;
- 3) For household energy storage application scenario, the Group's long-life prismatic battery and intelligent management system that possess multiple protection mechanisms such as over-charge, over-discharge, over-temperature, over-current, and short circuit, successively passing a series of overseas certifications such as UL/IEC/CE with excellent performance in product performance, cost and safety.

### **3. *Business achievements***

In 2022, the Group's operating performance continued to improve significantly, achieving a geometric growth in the installed capacity of EV batteries for four consecutive years, which made it one of the fastest growing enterprises among the global EV battery enterprises. The Group made further breakthroughs in technology and developed leading products, reaching new heights in terms of market development, production capacity, brand influence and industrial ecological leadership. The Group was listed on the main board of the Stock Exchange, officially gaining access to the international capital market and opening up a new chapter in the implementation of our international strategies.

In 2022, the Group accelerated implementation of the scaling-up strategy and further expanded industrial clusters by building new industrial bases in Meishan, Sichuan province, Jiangmen, Guangdong province and Europe. At the same time, the Group continued to upgrade its key technology paths and implementation plan, constantly improved manufacturing engineering capabilities, and delivered high-quality production capacity to the market and customers, thus facilitating the achievement of the Group's international strategic objectives.

In 2022, the Group maintained a rapid growth in the EV battery and ESS markets.



In terms of EV battery market, the Group achieved important layout in the PHEV and REEV market segments while continuing to lead the BEA market segment. With a comprehensive product pipeline, the Group succeeded in conducting a designated cooperation with automakers for more than 30 hybrid models, which will make the hybrid market become a rapid growth pole of the Group. In terms of customer development for passenger vehicles, in China, while continuing to maintain in-depth strategic cooperation with automakers such as GAC, XPeng, Changan, Geely and Leapmotor, the Group also acquired new designated cooperation for platform products with several automakers such as NIO, Dongfeng and FAW, which has laid a solid foundation for the Group's sustained high growth. In terms of international customers, the Group started mass production and delivery to automakers such as Smart and Honda. At the same time, leveraging on the existing technology reserve, the Group has completed the preparation of products and production capacity for the commercial vehicle market, which strongly supported the rapid growth of the Group's commercial vehicle business.

In terms of the ESS products market, while continuing to maintain the influence in the power storage market segment, the Group completed important layout in the industrial and commercial energy storage, household energy storage market. The Group has obtained designated partnership with a number of central power enterprises, system integrators, photovoltaic and wind power top-tiered enterprises through the comprehensive layout of full-scenario energy storage products and solutions, which laid a solid foundation for the Group to seize the opportunities of high growth in the energy storage market.

During the Reporting Period, the total assets of the Group amounted to RMB90.461 billion, representing a year-on-year increase of 134.2% as compared with the last year, and the net assets amounted to RMB41.575 billion, representing a year-on-year increase of 66.4% as compared with the last year. The Group recorded a turnover of approximately RMB20.375 billion, representing a year-on-year increase of 198.9% as compared with the last year; and the net profit amounted to approximately RMB694 million, representing a year-on-year increase of 521.8%. The increase was mainly due to the increase in the Group's sales, gross profit margin and gross profit.

#### **4. *Technology research and development achievements***

The Group is driven by continuous technological innovation. According to Frost & Sullivan, the Group is one of the few EV battery companies with comprehensive independent research and development (“R&D”) capabilities and the ability to solely complete the production of EV batteries. Our influential EV battery innovation center encompasses six major parts, namely advanced materials, advanced batteries, advanced simulation and testing, intelligent manufacturing, battery recycling technology and digitalization.

In 2022, the Group applied for 1,571 patents, which facilitated to form the patent layout of the entire battery industry chain covering battery materials, battery structure, system integration, electrical circuits, BMS, manufacturing process equipment, and battery recycling.

## **5. *Operation management model***

The Group possesses efficient, digital and scaled operational capabilities and manufacture engineering capabilities, striving to build and bolster a healthy industry ecosystem by forging a strategic synergy and a high degree of mutual trust with industry partners and adhering to the vision of “mutually beneficial”.

Based on the premise of customer-orientation and maximizing our overall value, the Group has created an efficient, collaborative and flat liquid organization structure, built 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.

By monitoring the manufacturing process of products throughout their full life cycles on a real time basis, the Group not only ensures the smooth and efficient operation of the entire manufacturing process, but also achieves rapid technical upgrades and product iterations with the help of standardized procedures, so as to deliver products meeting customer demands in an ongoing and stable manner.

We have built close strategic partnership with major suppliers, reaching consensus with partners on the future development direction of the industry to jointly plan and develop material and equipment related technology and innovative products, which in turn, further promotes the joint development of the industry. Such close relationships extend our technological innovation strength to the upstream of the industrial chain, while ensuring a stable supply of raw materials and equipment, so that our production capacity can meet customer demand in a timely manner.



### III. Future prospects

#### 1. *Innovation in technologies and products*

The Group adheres unwaveringly to the strategy of consolidating its leadership in product and technology with a future-oriented R&D plan rolled out to promote the continuous advancement in battery technology through innovation in materials, structure, manufacturing and system, so as to maintain its leadership in the development of EV battery technology and product innovation, while making positive contributions to the healthy and orderly development of the ecology.

The Group is committed to continuing its technological innovation and maintaining its leadership in advanced chemical energy storage materials, intelligent manufacturing technologies, high performance battery and system technologies, new batteries, and full battery lifecycle management, etc. to ensure the competitive advantage of its products in the application field.

- In the field of chemical energy storage materials, the Group will continue to focus on the balance between high energy density and resource utilization efficiency, while accelerating the industrialization of new material technologies, continuing to innovate and make breakthroughs in material technology to fully support the market demand in terms of performance, quality and cost;
- In the area of intelligent manufacturing technologies, the Group will strive to achieve efficient manufacturing technology upgrades through innovation in the structure of and highly integrated manufacturing process for batteries, while empowering high quality and high efficiency production with intelligent technologies to achieve highly reliable batch delivery capability;
- In terms of high-performance battery and system technology, the Group seeks to build a comprehensive leading advantage in the fields of high specific energy, long battery life, high degree of safety, high power and all-climate technology;
- In the field of new batteries, the Group will continue to build a leading edge of next-generation battery technologies such as solid-state lithium batteries and lithium-sulfur batteries;
- In terms of battery life-cycle management, with the goal of maximizing the value of battery life cycle, the Group 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 efficient cascade utilization and recycling technologies, promote the closed loop of battery resource recycling, build a green and environmentally friendly battery industry ecosystem.

## **2. *Market and Customer Development***

The Group aims to maintain its product leadership and competitive advantage based on continuous technological innovation.

With its strategic goal of global leadership, the Group will pool its efforts and resources to provide comprehensive product solutions and life-cycle management for the new energy full-scene application market represented by EV batteries and ESS products.

In the EV battery market, the Group will strive to maintain its leadership and competitiveness in the Battery Electric Vehicle (“**BEV**”) market segment. While helping its customers to achieve their goals and serving the market, the Group has completed important layouts in the PHEV/REEV market segment, with its products delivering excellent performance in terms of high power and all-climate adaptability, which will make PHEV/REEV market segment a strong growth driver for the Group.

As for the ESS products market, the Group will focus on the new energy power generation side, grid side, customer side and such other segments, and try to establish long-term strategic cooperation with leading enterprises in wind power, photovoltaic, grid and such other industries, while deeply cultivating new energy power generation, industrial and commercial customers, zero-carbon water transport and such other application scenarios, aiming to provide its customers with full-scenario ESS products and solutions. The ESS products market has become another new business growth driver for the Company.

## **3. *Internationalization***

The Group will continue to accelerate its strategic internationalization process, and in full compliance with the local laws and regulations in Europe, the Group will draw on the successful experience of our operations in China to exercise optimal control of time, cost and quality, so as to ensure that the European industrial base is built/operated at the best cost and meets EU’s standards and low carbon requirements. The Group will draw plans and operate effectively in terms of products, technology, sales, supply chain, factories, policies and regulations, and personnel capabilities, and advance the construction of our plants in Europe according to plan, and ensure that mass production is commenced on schedule.

Through continuous innovation, the Group will deliver products with excellent performance to its customers, while continuously increasing its market share and brand awareness and reputation in its target markets and among its customers, so as to make greater contribution to the achievement of carbon emission peaking and carbon neutrality.

## IV. FINANCIAL REVIEW

### Overview

During the Reporting Period, the operating revenue of the Group increased from RMB6,817.12 million for the year ended December 31, 2021 to RMB20,374.94 million for the year ended December 31, 2022, representing an increase of 198.9%; the gross profit of the Group increased from RMB510.95 million for the year ended December 31, 2021 to RMB2,103.52 million for the year ended December 31, 2022, representing an increase of 311.7%.

During the Reporting Period, the profit for the year attributable to the owners of the Company increased from RMB140.03 million for the year ended December 31, 2021 to RMB691.63 million for the year ended December 31, 2022, representing an increase of 393.9%. The basic earnings per share of the Group increased from RMB0.1128 for the year ended December 31, 2021 to RMB0.4408 for the year ended December 31, 2022, representing an increase of 290.8%.

The key financial indicators of the Group are set out as follows:

<b>Financial indicators</b>	<b>2022</b>	<b>2021</b>
Gross profit margin (%)	<b>10.3%</b>	7.5%
Net sales margin (%)	<b>3.4%</b>	1.6%

The gross profit margin of the Group increased by 2.8% from 7.5% for the year ended December 31, 2021 to 10.3% for the year ended December 31, 2022, which was mainly due to the gradual release of the Group's production capacity during the Reporting Period, resulting in more significant economies of scale.

The net profit margin of the Group increased by 1.8% from 1.6% for the year ended December 31, 2021 to 3.4% for the year ended December 31, 2022, primarily due to the increase in the gross profit margin of the Group.

## Revenue structure

During the Reporting Period, the Group generated revenue from the sales of EV batteries, ESS products and others. The operating revenue of the Group increased from RMB6,817.12 million for the year ended December 31, 2021 to RMB20,374.94 million for the year ended December 31, 2022, representing an increase of 198.9%. The increase was mainly due to the gradual release of the Group's production capacity and the increasing demand for products.

### 1) Revenue by product

Items	2022		2021	
	Revenue (RMB'000)	Percentage of revenue (%)	Revenue (RMB'000)	Percentage of revenue (%)
EV batteries	18,323,505	89.9	6,065,200	89.0
ESS products and others	2,051,437	10.1	751,915	11.0
<b>Total</b>	<b>20,374,942</b>	<b>100.0</b>	<b>6,817,115</b>	<b>100.0</b>

During the Reporting Period, the revenue generated from the sales of EV batteries of the Group increased by 202.1% from RMB6,065.20 million for the year ended 31 December 2021 to RMB18,323.51 million for the year ended 31 December 2022. The strong growth was mainly attributable to the release of the Company's production capacity and the increased customer demands, as well as the rapid growth of the passenger vehicle and commercial vehicle businesses.

During the Reporting Period, the revenue generated from the sales of energy storage systems and others of the Group increased by 172.8% from RMB751.92 million for the year ended 31 December 2021 to RMB2,051.44 million for the year ended 31 December 2022, mainly due to the increase in sales as the Group continued to explore the market segments including energy storage system, covering various application scenarios such as power supply side, power grid side and user side.

### 2) Revenue by geographical location of product delivery

Items	2022		2021	
	Revenue (RMB'000)	Percentage of revenue (%)	Revenue (RMB'000)	Percentage of revenue (%)
Mainland China	19,988,435	98.1	6,643,764	97.5
Overseas	386,507	1.9	173,351	2.5
<b>Total</b>	<b>20,374,942</b>	<b>100.0</b>	<b>6,817,115</b>	<b>100.0</b>

During the Reporting Period, the Group's revenue from Mainland China increased by 200.9% from RMB6,643.76 million for the year ended December 31, 2021 to RMB19,988.44 million for the year ended December 31, 2022. The increase was mainly attributable to the continuous improvement and release of the Group's production capacity and the rapid growth of demand for batteries from the Group's major customers in Mainland China.

During the Reporting Period, the Group's revenue from overseas regions increased by 123.0% from RMB173.35 million for the year ended 31 December, 2021 to RMB386.51 million for the year ended 31 December, 2022. The increase was mainly attributable to the rapid growth in the global new energy vehicle market and the significant growth of the Company's overseas operations.

## **Financial position**

### **1) *Assets***

The total assets of the Group increased from RMB38,620.49 million as at December 31, 2021 to RMB90,460.62 million as at December 31, 2022, representing an increase of 134.2%, among which, non-current assets increased from RMB20,034.41 million as at December 31, 2021 to RMB53,101.17 million as at December 31, 2022, representing an increase of 165.0%. Such increase was mainly due to the increase in property, plant and equipment as the Group continued to invest in the construction of production bases. Current assets increased from RMB18,586.08 million as at December 31, 2021 to RMB37,359.45 million as at December 31, 2022, representing an increase of 101.0%. Such increase was mainly due to the increase in bank deposits as a result of the proceeds from the issue of H shares of the Company and the increase in inventories, trade receivables and bills receivable with the expansion of business scale.

### **2) *Liabilities***

The total liabilities of the Group increased from RMB13,634.36 million as at December 31, 2021 to RMB48,885.16 million as at December 31, 2022, representing an increase of 258.5%, among which, current liabilities increased from RMB9,890.35 million as at December 31, 2021 to RMB32,774.95 million as at December 31, 2022, representing an increase of 231.4%. Such increase was mainly attributable to business expansion, increase in procurement of materials and continuous investment in construction of production bases, increase in trade payables and bills payable and payables for property, plant and equipment. Non-current liabilities increased from RMB3,744.01 million as at December 31, 2021 to RMB16,110.21 million as at December 31, 2022, representing an increase of 330.3%. Such increase was mainly due to the increase in syndicated borrowings for the project for meeting the capital needs of the Group's business expansion and continuous investment in key projects.

## **Liquidity and financial resources**

The operating cash inflow of the Group for the year ended December 31, 2022 amounted to RMB2,109.05 million, representing an increase of 32.6% as compared with RMB1,590.11 million for the year ended December 31, 2021, which was mainly attributable to the rapid growth of business as a result of the rapid growth of market and customer demand and the continuous release of the Group's production capacity, which led to an increase in cash received from sales of goods and the provision of services during operating activities.

The bank balances and cash (including pledged and restricted bank deposits) of the Group as at December 31, 2022 were approximately RMB12,916.90 million (2021: RMB4,361.33 million).

The total borrowings of the Group as at December 31, 2022, including all bank loans, amounted to approximately RMB17,707.48 million (December 31, 2021: RMB2,890.65 million). The repayment terms of the bank loans are due within one year of approximately RMB2,479.64 million and approximately RMB15,227.84 million after one year, respectively.

The Group had sufficient liquidity to meet the requirements of its daily liquidity management and capital expenditure, and to control internal operating cash flows.

### **Capital structure**

The financial management center under the Group is responsible for its financial risk management, aiming to ensure that the liquidity structure of the assets, liabilities and other commitments of the Group could meet its funding needs on an ongoing basis.

The borrowings of the Group were mainly settled in Renminbi, while its cash and cash equivalents were mainly held in Renminbi and Hong Kong dollars. The Group plans to maintain an appropriate portfolio of equity and debt during the period to ensure an effective capital structure. As at December 31, 2022, the outstanding loans of the Group were RMB-denominated loans with approximately 20.2% of these outstanding loans bearing interest at fixed rates and the remainder at floating rates.

The Group monitored the capital structure by using the gearing ratio (i.e. net debt divided by equity), with its policies to maintain financial stability and support the sustainable, healthy and rapid development of the Group's business. Net debt includes interest-bearing bank and other borrowings and is net of cash and cash equivalents, with equity being total equity. The gearing ratio of the Group as at December 31, 2022 was 17.7% (December 31, 2021: 3.1%). The increase in the gearing ratio was mainly due to the increased borrowings in project construction. The Group maintained its financial stability amidst rapid business development.

### **Foreign exchange risk**

The business operations of our Group are principally located in Mainland China and most of its transactions were conducted in Renminbi. Except for certain bank balances which are denominated in U.S. dollars, Hong Kong dollars and other foreign currencies, most of the assets and liabilities are denominated in Renminbi. During the Reporting Period, the Group did not experience any material difficulties or impact on its operations or liquidity as a result of fluctuations in currency exchange rates. The Group believes that the Group will have sufficient foreign currencies to meet its foreign exchange needs and will take effective measures to prevent foreign exchange risks.



## Capital expenditure

During the Reporting Period, the capital expenditures of the Group for the year ended December 31, 2022 amounted to RMB29,989.32 million (2021: RMB9,646.29 million (re-presented)) which were mainly used to expand production capacity, including the construction of production facilities and the upgrade of existing machinery and equipment. The capital expenditures of the Group were mainly funded by the Group's own funds, proceeds from the issuance of ordinary shares, funds contributed by local shareholders and bank borrowings as well as cash inflow from the operating activities of the Group.

## Capital commitment

During the Reporting Period, the capital commitments of the Group were mainly related to the acquisition of property, plant and equipment and intangible assets. The total of capital expenditures contracted but not incurred as at December 31, 2022 was RMB29,204.78 million (2021: RMB16,894.99 million).

## Restricted assets

As at December 31, 2022, the Group had restricted assets with a total carrying amount of RMB4,174.28 million for obtaining bank loans and other bank facilities. These assets include pledged and restricted bank deposits of RMB1,985.08 million, bills receivables of RMB757.72 million, property, plant and equipment of RMB975.98 million and right-of-use assets of RMB455.50 million.

## Significant investments held

As at December 31, 2022, the Group did not hold any significant investments.

## Future plans for significant investments and capital assets

As at December 31, 2022, the Group did not have any other plans for significant external investments and capital assets.

## Material acquisitions and disposals of subsidiaries and associates

The Group entered into an equity transfer agreement with Jiangsu Jinhang Holding Co., Ltd.\* (江蘇金航控股有限公司) (the “**Jinhang Holding**”) on March 3, 2022, pursuant to which the Group transferred its 49% equity interests in China Lithium Battery Technology (Luoyang) Co., Ltd.\* (中航鋰電(洛陽)有限公司) (the “**Luoyang Company**”) to Jinhang Holding at a consideration of RMB1,087.80 million. Upon completion of the aforesaid transfer, Luoyang Company was owned as to 51% and 49% by Jiangsu Jintan Jincheng Technology Industry Development Co., Ltd.\* (江蘇金壇金城科技產業發展有限公司) (“**Jintan Jincheng**”) and Jinhang Holding, respectively. Luoyang Company ceased to be an associate of the Group.

Save as mentioned above, the Group had no other material acquisitions or disposals of subsidiaries and associates during the year ended December 31, 2022.

## Contingent liabilities

- (a) The Group endorsed certain bank acceptance bills for the settlement of trade and other payables and discounted certain bank acceptance bills to banks for obtaining working capital. The outstanding endorsed and discounted bank acceptance bills are generally with maturities no more than 12 months. In the opinion of the Directors, the Group has transferred substantially all the risks and rewards relating to these bills, 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 and discounted bills is low because they were issued or 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 or discounted bills as at the end of Reporting Period are as follows:

	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Endorsed or discounted bills	<b><u>3,534,942</u></b>	<u>111,950</u>

- (b) During 2021, Contemporary Amperex Technology Co., Limited ("CATL") has brought four intellectual property infringement claims (for Patent I, Patent II, Patent III and Patent IV, as defined in the Prospectus of the Company dated 23 September 2022) against the Company (each a "Claim" and together, the "Claims"). Luoyang Company is also a joint defendant in the Claim related to Patent II. CATL petitioned to immediately stop infringing the relevant patents (including, without limitation, to cease manufacturing, selling or offering to sell relevant products that apply the relevant patents), the Group to pay in aggregate amount of RMB485 million (including royalties payable during the temporary protection period for invention patents) to CATL as compensation for such alleged intellectual property infringements and bear the RMB2.7 million expenses. The Directors were of the view that the Claims were lacking in merit and it was not probable that an outflow of economic benefits will be required to settle the Claims related to Patent I, Patent II, Patent III and Patent IV.



Accordingly, the Group had the following contingent liabilities as at 31 December 2021:

<b>Claim related to:</b>	<b>Damages claimed by CATL RMB'000</b>	<b>Expenses claimed by CATL RMB'000</b>
<b>Patent I</b> relates to battery cathode piece technology	30,000	500
<b>Patent II</b> relates to an air tightness detection structure of explosion-proof device arranged on the battery cover	365,000*	1,200*
<b>Patent III</b> relates to retaining structure that remains fixed when the connector of battery current collector is bending	12,000	500
<b>Patent IV</b> relates to battery negative pole pieces technology	78,000	500

\* The Company and Luoyang Company are joint defendants of claim related to Patent II, and Luoyang Company will bear its respective portion of compensation and expenses as determined by the Court. The initial amount claimed by CATL under the Claim in relation to Patent II was RMB99 million (comprising damages of RMB98 million and cost incurred by CATL of RMB1 million) and was increased to RMB366.2 million (comprising damages of RMB365 million and costs incurred by CATL of RMB1.2 million) in May 2022.

During August 2022, CATL has brought another intellectual property infringement claim related to Patent VI (as defined in the Prospectus of the Company dated 23 September 2022) against the Company. Luoyang Company is also a joint defendant in such Claim related to Patent VI.

The civil judgments on Patent I, Patent III and Patent IV made by Fuzhou Intermediate Court between November 2022 and February 2023 were first-instance judgments, but not final and effective judgments. The Company has appealed to the Supreme People's Court within the appeal period, and the company currently does not need to pay the first-instance compensation of Fuzhou Intermediate Court. Even if the Supreme People's Court supports CATL's plea of "immediately stopping the infringement of relevant patents" in the second instance, according to the assessment of the estimated compensation amount of the Company's internal legal counsel and external legal counsel, the compensations of above-mentioned claims are more likely to be reduced in the second-instance trial. After due consideration accordingly, the Company made a total provision of RMB 8.64 million for the claims of Patent I, Patent III and Patent IV based on the assessment result of the compensation amounts of the internal legal counsel and external legal counsel. Details are as follows:

During November 2022, the Company received a civil judgement from the Fuzhou Intermediate Court regarding the Claim related to Patent III, the salient contents of which are: (1) the Group shall immediately cease selling products infringing the relevant patent; (2) the Group shall compensate CATL for its economic loss of RMB2.63 million and reasonable costs of RMB0.2 million; (3) the Group to pay RMB0.13 million fees for the temporary protection period for the relevant patent; and (4) other claims filed by CATL were rejected. Details are set out in the Company's announcement dated 30 November 2022. Due to this latest development, management of the Company has made provision in relation to this case.

During February 2023, the Company received a civil judgement from the Fuzhou Intermediate Court regarding the Claim related to Patent IV, the salient contents of which are: (1) the Group shall immediately cease manufacturing and selling products infringing the relevant patent; (2) the Group shall compensate CATL for its economic loss of RMB35.8 million and reasonable costs of RMB0.2 million; (3) the Group to bear the costs for protection of the relevant patents during the temporary period of RMB0.8 million; and (4) other claims filed by CATL were rejected. Details are set out in the Company's announcement dated 21 February 2023. Due to this latest development, management of the Company has made provision in relation to this case.

During February 2023, the Company received a civil judgement from the Fuzhou Intermediate Court regarding the Claim related to Patent I, the salient contents of which are: (1) the Group shall immediately cease manufacturing and selling products infringing the relevant patent; (2) the Group shall compensate CATL for its economic loss of RMB20.1 million and reasonable costs of RMB0.2 million; and (3) other claims filed by CATL were rejected. Details are set out in the Company's announcement dated 21 February 2023. Due to this latest development, management of the Company has made provision in relation to this case.

As set out above, the Group has made total provision of RMB8.64 million for claims in relation to Patent I, III and IV.

After assessing the analysis and views of the Company's internal legal counsel and external legal advisors, the Directors are of the view that the Claims relating to Patent II and Patent VI are lacking in merit and it is not probable that an outflow of economic benefits will be required to settle the Claims.

Accordingly, the Group's contingent liabilities related to the Claims as at 31 Decembers 2022 are set out below:

<b>Claim related to:</b>	<b>Damages claimed by CATL RMB'000</b>	<b>Expenses claimed by CATL RMB'000</b>
<b>Patent II</b> relates to an air tightness detection structure of explosion-proof device arranged on the battery cover	365,000*	1,200*
<b>Patent VI</b> relates to battery package assembly	130,000*	500*

\* The Company and Luoyang Company are joint defendants of claim related to Patent II and Patent VI, and Luoyang Company will bear its respective portion of compensation and expenses as determined by the Court.

Save as disclosed above, the Group had no other material contingent liabilities as at 31 December 2022.

## Use of Proceeds from Listing

The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on October 6, 2022 (the “**Listing Date**”). After deducting the underwriting fees, commissions and estimated expenses, the total net proceeds from the listing amounted to approximately HK\$9,980.10 million. The listing proceeds are and will continue to be utilized in accordance with the plans disclosed in the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated September 23, 2022 (the “**Prospectus**”), namely:

Items	Approximate percentage of total net proceeds (%)	Net proceeds from the listing available for use (in HK\$ million)	Net actual utilisation as at 31 December 2022 (in HK\$ million)	Net unutilised as at 31 December 2022 (in HK\$ million)	Expected timeline for balance of net proceeds
To fund part of the expenditure for the construction of new production facilities of the Company in Chengdu Phase I Project, Wuhan Phase II Project, Hefei Phase I and II Project, Guangdong Jiangmen Phase I Project and Sichuan Meishan Project, totalling 95GWh of EV batteries and energy storage system production lines	80.0	7,984.08	3,718.05	4,266.03	By December 31, 2024
For advanced technologies research and development	10.0	998.01	0.00	998.01	By December 31, 2023
For working capital and general corporate purposes	10.0	998.01	32.24	965.77	By December 31, 2023
Total	100.0	9,980.10	3,750.29	6,229.81	

Save as disclosed above, the Group has not utilized any other listing proceeds since the Listing Date and will continue to gradually utilize the remaining net proceeds in accordance with the intended use as set out in the Prospectus. The expected timetable is based on the Company’s current best estimate of future market conditions and business operations, and will be adjusted according to the development of future market conditions and actual business needs.

## OTHER INFORMATION

### Purchase, Sale or Redemption of Listed Securities of the Company

The share capital of the Company consists of 1,772,301,858 ordinary shares, including 1,506,456,558 domestic shares and 265,845,300 overseas listed foreign shares. The Company’s initial issuance of overseas listed foreign shares on the Stock Exchange was 265,845,300 shares, accounting for 15% of the total share capital after the issuance.

Save for the initial issuance of overseas listed foreign shares, neither the Group nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the period from the Listing Date to the date of this announcement.

## **Final Dividend**

The Board has resolved not to recommend the payment of a final dividend for the year ended December 31, 2022.

## **Annual General Meeting**

The Company will inform the shareholders of the Company (the “**Shareholders**”) at a later date about the date of the forthcoming annual general meeting and the corresponding arrangement for the closure of register of members.

## **Events after the Reporting Period**

In addition to the events partially disclosed in the “Contingent Liabilities” of this announcement regarding the Patent I and Patent IV occurred in February 2023, after due and careful consideration, our Directors confirm that, there has not been any material adverse change in financial or trading position or prospects of the Company since December 31, 2022, and there is no event since December 31, 2022 which would materially affect the information set out in the consolidated financial statements.

## **Compliance with the Corporate Governance Code**

The Group is committed to maintaining a high standard of corporate governance and strives to comply with the code provisions (the “**Code Provisions**”) of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

During the period from the Listing Date to December 31, 2022, the Company had complied with all applicable Code Provisions of the CG Code, save for the deviation from Code Provisions C.2.1 of the CG Code, which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Ms. Liu Jingyu is the chairwoman and president of the Company. The Directors believe that the roles of chairwoman and president in the same person are beneficial to ensure consistent leadership within the Group and enable the Group to formulate overall strategic planning more effectively and efficiently. The Directors also believe that the current arrangement will not impair the balance of duties and licensing rights and the structure will enable the Company to make decisions and implement them in a timely and effective manner. Under the leadership of Ms. Liu Jingyu, the Board functions effectively and discharges its responsibilities to discuss all important and appropriate issues in a timely manner. In addition, as all major decisions are made in consultation with members of the Board and the relevant Board committees, and the Board has three independent non-executive Directors to provide independent views, the Board considers that there are adequate safeguards to ensure an adequate balance of powers of the Board. However, the Board will review the structure and composition of the Board from time to time to maintain a high standard of corporate governance practices of the Company.

The Board will continue to review the effectiveness of the Company’s governance structure to assess whether it is necessary to separate the responsibilities of the chairman and chief executive officer.

## **Model Code for Securities Transactions by Directors**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by Directors. Having made specific enquiries by the Company, the Directors have confirmed they have complied with the Model Code during the period from the Listing Date to December 31, 2022.

## **Audit Committee Reviews Annual Results**

The Company has established the audit committee (the “Audit Committee”) with written terms of reference in compliance with Rules 3.21 and 3.22 of the Listing Rules and Code Provisions D.3.3 of the CG Code. The Audit Committee consists of 3 independent non-executive Directors including Mr. Wang Susheng, Mr. Wu Guangquan and Mr. Chen Zetong, and is currently chaired by Mr. Wang Susheng with appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended December 31, 2022, and confirmed that it has complied with all applicable accounting principles, standards and requirements and that adequate disclosures have been made. The Audit Committee has also discussed auditing and financial reporting matters.

## **Scope of Work of RSM Hong Kong**

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2022 as set out in the preliminary announcement have been agreed by the Group’s auditor, RSM Hong Kong, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by RSM Hong Kong in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by RSM Hong Kong on the preliminary announcement.

## **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT**

The annual results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company (<http://www.calb-tech.com>). The annual report of the Company for the year ended December 31, 2022, containing all the information required by the Listing Rules will be despatched to the Shareholders and made available on the above websites in due course.

By order of the Board  
**CALB Group Co., Ltd.**  
**Liu Jingyu**

*Chairwoman of the Board, executive Director and president*

Changzhou, PRC  
March 28, 2023

*As at the date of this announcement, the Board comprises Ms. Liu Jingyu and Mr. Dai Ying as executive Directors, Mr. Zhou Sheng, Mr. Zhang Guoqing, Mr. Li Yunxiang as non-executive Directors, Mr. Wu Guangquan, Mr. Wang Susheng and Mr. Chen Zetong as independent non-executive Directors.*