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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

The board (the “**Board**”) of directors (the “**Directors**”) of CALB Group Co., Ltd. (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”, “**CALB**”, “**we**” or “**us**”) for the six months ended 30 June 2023 (the “**Reporting Period**”), together with the comparative figures for the six months ended 30 June 2022.

FINANCIAL SUMMARY

The revenue of the Group increased by 34.1% from RMB9,167.20 million for the six months ended 30 June 2022 to RMB12,294.71 million for the six months ended 30 June 2023.

The profit of the Group increased by 60.8% from RMB165.70 million for the six months ended 30 June 2022 to RMB266.49 million for the six months ended 30 June 2023.

The profit attributable to the owners of the Company decreased by 12.1% from RMB166.72 million for the six months ended 30 June 2022 to RMB146.52 million for the six months ended 30 June 2023.

The basic earnings per share of the Group decreased by 25.3% from RMB0.1107 for the six months ended 30 June 2022 to RMB0.0827 for the six months ended 30 June 2023.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

	Note	Unaudited	
		Six months ended 30 June	
		2023	2022
		RMB'000	RMB'000
		(Re-presented)	
Revenue	7	12,294,712	9,167,200
Cost of sales		<u>(11,115,647)</u>	<u>(8,296,721)</u>
Gross profit		1,179,065	870,479
Investment and other income	8	85,333	100,574
Government grants and subsidies	9	33,216	13,300
Other losses, net	10	(321,128)	(92,106)
Selling expenses		(107,842)	(140,895)
Administrative expenses		(313,052)	(228,640)
Research and development expenses		(170,571)	(205,275)
(Impairment losses)/reversal of impairment losses on trade and bills receivables		(20,615)	6,381
Reversal of impairment losses/(impairment losses) on prepayments, deposits and other receivables		370	(332)
Profit from operations		364,776	323,486
Finance costs		(138,290)	(13,737)
Share of losses of associates		(18)	(387)
Profit before tax		226,468	309,362
Income tax credit/(expense)	11	40,019	(143,667)
Profit for the period	12	266,487	165,695
Attributable to:			
Owners of the Company		146,517	166,719
Non-controlling interests		119,970	(1,024)
		266,487	165,695
Earnings per share (expressed in RMB per share)	14		
Basic		0.0827	0.1107
Diluted		0.0827	0.1107

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Profit for the period	<u>266,487</u>	<u>165,695</u>
Other comprehensive income/(expense):		
<i>Items that will not be reclassified to profit or loss:</i>		
Fair value changes of equity instruments at fair value through other comprehensive income (FVTOCI)	<u>(9,847)</u>	<u>–</u>
<i>Items that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	791	(13)
Share of other comprehensive income of associates reclassified to profit and loss upon disposal of associates	<u>–</u>	<u>503</u>
Other comprehensive (expense)/income for the period, net of tax	<u>(9,056)</u>	<u>490</u>
Total comprehensive income for the period	<u><u>257,431</u></u>	<u><u>166,185</u></u>
Attributable to:		
Owners of the Company	137,461	167,209
Non-controlling interests	<u>119,970</u>	<u>(1,024)</u>
	<u><u>257,431</u></u>	<u><u>166,185</u></u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	<i>Note</i>	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
Non-current assets			
Property, plant and equipment		60,518,803	45,527,632
Right-of-use assets		1,806,440	1,618,177
Intangible assets		1,369,483	1,373,277
Investments in associates		16,333	16,351
Other financial assets		733,652	670,565
Deposits paid for acquisition of property, plant and equipment		1,815,911	3,312,789
Deferred tax assets		566,607	582,380
		66,827,229	53,101,171
Current assets			
Inventories		10,004,791	11,821,947
Trade and bills receivables	<i>15</i>	5,953,457	5,335,457
Prepayments, deposits and other receivables		7,369,365	6,149,868
Amounts due from related parties		271,481	952,154
Other financial assets		167,590	177,090
Current tax assets		–	6,036
Pledged bank deposits		1,241,752	1,984,783
Restricted bank balances		256	298
Bank and cash balances		8,444,794	10,931,814
		33,453,486	37,359,447
Current liabilities			
Trade and bills payables	<i>16</i>	18,012,315	21,646,762
Accruals and other payables		8,632,620	7,090,209
Contract liabilities		283,009	490,532
Amounts due to related parties		367,678	471,652
Lease liabilities		26,419	23,969
Bank borrowings		5,829,155	2,479,634
Provisions		49,973	508,826
Current tax liabilities		30,704	63,367
		33,231,873	32,774,951
Net current assets		221,613	4,584,496
Total assets less current liabilities		67,048,842	57,685,667

	<i>Note</i>	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
Non-current liabilities			
Deferred income		337,504	679,250
Lease liabilities		76,856	92,448
Bank borrowings		21,014,550	15,227,842
Provisions		705,806	–
Deferred tax liabilities		8,101	110,668
		<u>22,142,817</u>	<u>16,110,208</u>
NET ASSETS		<u>44,906,025</u>	<u>41,575,459</u>
Capital and reserves			
Equity attributable to owners of the Company			
Share capital		1,772,302	1,772,302
Reserves		32,727,612	32,607,016
		<u>34,499,914</u>	<u>34,379,318</u>
Non-controlling interests		<u>10,406,111</u>	<u>7,196,141</u>
TOTAL EQUITY		<u>44,906,025</u>	<u>41,575,459</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

1. GENERAL INFORMATION

CALB Group Co., Ltd. (中創新航科技集團股份有限公司) (the “**Company**”) (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 and its subsidiaries (together, the “**Group**”) has been engaging in the design, research and development, production and sales of EV batteries and ESS products.

The condensed financial statements are presented in thousands of Renminbi (“**RMB’000**”), unless otherwise stated.

* The English translation name is for identification purpose only. The official name of the entity is in Chinese.

2. BASIS OF PREPARATION

These condensed financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” issued by the International Accountant Standard Board (the “**IASB**”) and applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These condensed financial statements should be read in conjunction with the consolidated financial statements of the Company for the year ended 31 December 2022 (“**2022 Annual Report**”), which have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”) issued by IASB. Except as described below, the accounting policies (including the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty) and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the 2022 Annual Report.

3. ADOPTION OF NEW AND REVISED IFRSs

A. Deferred tax related to assets and liabilities arising from a single transaction

The Group has adopted Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction” from 1 January 2023. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases. For leasing transactions, the Group is required to recognise the associated deferred tax assets and liabilities from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, an entity applies the amendments to transactions that occur after the beginning of the earliest period presented.

The Group previously accounted for deferred tax on leases applying the “integrally linked” approach, resulting in a similar outcome to the amendments, except that the deferred tax asset or liability was recognised on a net basis. Following the amendments, the Group has recognised a separate deferred tax asset in relation to its lease liabilities and a deferred tax liability in relation to its right-of-use assets. However, there was no impact on the condensed consolidated statement of financial position because the balances qualify for offset under paragraph 74 of IAS 12. There was also no impact on the opening retained earnings as at 1 January 2022 as a result of the change. The key impact for the Group relates to disclosure of the deferred tax assets and liabilities recognised. This disclosure will be provided in the annual financial statements.

The change in accounting policy will also be reflected in the Group’s consolidated financial statements as at and for the year ending 31 December 2023.

B. International tax reform – Pillar Two model rules

The Group has adopted Amendments to IAS 12 “International Tax Reform – Pillar Two Model Rules” upon their release on 23 May 2023. The amendments provide a temporary mandatory exception from deferred tax accounting for the top-up tax, which is effective immediately, and require new disclosures about the Pillar Two exposure from 31 December 2023. The mandatory exception applies retrospectively. However, because no new legislation to implement the top-up tax was enacted or substantively enacted at 31 December 2022 in any jurisdiction in which the Group operates and no related deferred taxes were recognised at that date, the retrospective application has no impact on the Group’s condensed consolidated interim financial statements.

The relief and the new disclosures will also be reflected in the Group’s consolidated financial statements as at and for the year ending 31 December 2023.

In addition to the adoption of the above amendments to standards, in the current period, the Group has adopted all the new and revised IFRSs issued by the IASB that are relevant to its operations and effective for its accounting year beginning on 1 January 2023 but they do not have a material effect on the Group’s condensed financial statements.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted. The Group has not early adopted any of the forthcoming new or amended standards in preparing these condensed consolidated interim financial statements.

4. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

As mentioned in note 4 in the 2022 Annual Report, the Group adopted the new accounting policy and presentation method of government grants during the year ended 31 December 2022. The change has been applied retrospectively and the corresponding figures in the comparative financial statements have been re-presented as a result.

The following summarised the accounting transactions affected by the change in accounting policy and disclosure of government grants for the six months ended 30 June 2022:

Items	As previously reported RMB'000	Effect of change in accounting policy and disclosure RMB'000	As re-presented RMB'000
Cost of sales	(8,347,442)	50,721	(8,296,721)
Selling expenses	(193,494)	52,599	(140,895)
Administrative expenses	(297,680)	69,040	(228,640)
Research and development expenses	(412,837)	207,562	(205,275)
Government grants and subsidies	393,222	(379,922)	13,300

5. Critical judgments and key estimates

Warranty provisions

As set out in note 6(g) and note 39 to the Group's consolidated financial statements in the 2022 Annual Report, 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.

Due to the continuous business development over the years and the recent increasing production capacity, the Group has been obtaining more detailed and longer term historical warranty data. The Group can more reliably estimate the warranty claims in the coming one-year period. Based on the aforementioned increasing and improving warranty data collected and analysed by the Group, and having considered the warranty provision practice in the same industry, warranty provisions are split into and presented as current and non-current portions at the end of the Reporting Period.

6. 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 customers of the corresponding periods contributing over 10% of the total revenue of the Group are as follows:

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Customer G	4,609,230	3,013,601
Customer J*	1,828,430	N/A
Customer X	1,385,310	2,698,733

* Revenue of this customer amounted to less than 10% of the total revenue of the Group for the six months ended 30 June 2022.

7. REVENUE

(a) Disaggregation of revenue

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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue from contracts with customers within the scope of IFRS 15		
Sales of EV batteries	10,377,467	8,646,346
Sales of ESS products and others	1,917,245	520,854
	12,294,712	9,167,200

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 six months ended 30 June	Sales of EV batteries		Sales of ESS products and others		Total	
	2023	2022	2023	2022	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Primary geographic markets						
– Mainland China	10,264,880	8,502,925	1,655,284	490,644	11,920,164	8,993,569
– Europe	35,800	32,050	58,142	5,578	93,942	37,628
– Asia	72,361	76,221	183,419	129	255,780	76,350
– America	3,766	35,150	20,400	24,503	24,166	59,653
– Others	660	–	–	–	660	–
Revenue from external customers	10,377,467	8,646,346	1,917,245	520,854	12,294,712	9,167,200
Timing of revenue recognition						
Products transferred at a point in time	10,377,467	8,646,346	1,912,994	520,854	12,290,461	9,167,200
Products and services transferred over time	–	–	4,251	–	4,251	–
Total	10,377,467	8,646,346	1,917,245	520,854	12,294,712	9,167,200

(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 30 June 2023 and the expected timing of recognising revenue as follows:

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Within one year	283,009	490,532

8. INVESTMENT AND OTHER INCOME

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Interest income on:		
Bank deposits	69,541	43,536
Financial assets at FVTOCI	8,147	54,901
Total interest income	77,688	98,437
Compensation from suppliers	5,820	1,016
Insurance compensation income	979	186
Others	846	935
	85,333	100,574

9. GOVERNMENT GRANTS AND SUBSIDIES

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited) (Re-presented)
Related to income		
Research and development subsidies	14,720	7,394
Subsidies on industry development	17,052	5,249
Subsidies on employee stability	370	4
Subsidies on recruitment	637	135
Others	437	518
	33,216	13,300

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.

The Group received government grants and subsidies or recognised government grants and subsidies receivable from related entities of Government of Jintan District of approximately RMB223,870,000 (unaudited) for the six months period ended 30 June 2023 (2022: RMB68,063,000 (unaudited)).

10. OTHER LOSSES, NET

	Note	Six months ended 30 June	
		2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Allowance for inventories		(330,587)	(53,137)
Fair value change in financial assets at FVTPL		(32,003)	(8,927)
Fair value change in financial guarantees	(i)	–	1,635
Fair value change in put option liabilities	(ii)	–	(40,007)
Loss on disposal of an associate		–	(503)
Net foreign exchange gains		41,069	9,989
Net gain/(loss) on disposal of property, plant and equipment		163	(24)
Net gain/(loss) on lease modification		230	(1,132)
		<u>(321,128)</u>	<u>(92,106)</u>

Notes:

- (i) During the six months ended 30 June 2022, the Group provided guarantee in respect of bank loan granted to China Lithium Battery Technology (Luoyang) Co., Ltd. (“**Luoyang Company**”) with maximum potential liability of RMB135,000,000. Such bank loan was fully repaid in September 2022 and the corresponding financial guarantee was released thereafter.
- (ii) During the year ended 31 December 2021 and 2022, 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, Hefei Company, Fujian Company, Jiangmen Company and Sichuan Company. 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.

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 Put 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 Put Options will lapse automatically and at that time the related liabilities would be transferred to equity of the Company.

The Written Put Options were lapsed since the Company completed listing on The Stock Exchange of Hong Kong Limited on 6 October 2022. Therefore, no fair value change in put option liabilities has been recognised since 6 October 2022.

11. INCOME TAX (CREDIT)/EXPENSE

Income tax (credit)/expense has been recognised in profit or loss as follows:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax – PRC		
Provision for the period	51,146	122,910
Current tax - Germany		
Provision for the period	36	–
	<u>51,182</u>	122,910
Deferred tax	<u>(91,201)</u>	20,757
	<u>(40,019)</u>	<u>143,667</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 periods.

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 PERIOD

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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
		(Re-presented)
Allowance for inventories	330,587	53,137
Amortisation of intangible assets	77,168	70,801
Cost of inventories sold	11,115,647	8,296,721
Depreciation of property, plant and equipment	715,810	314,874
Depreciation of right-of-use assets	32,750	23,820
Employee benefit expenses (including Directors’ emoluments):		
Salaries, bonus and allowances (<i>note</i>)	1,107,813	421,575
Equity-settled share-based payments	20,705	20,037
Retirement benefit scheme contribution (<i>note</i>)	84,622	22,023
Loss on disposal of an associate	–	503
Net (gain)/loss on disposals of property, plant and equipment	(163)	24
Net (gain)/loss on lease modification	(230)	1,132
Impairment loss/(reversal of impairment loss) on trade and bills receivables	20,615	(6,381)
(Reversal of impairment loss)/impairment loss on prepayments, deposits and other receivables	<u>(370)</u>	<u>332</u>

Note: Salaries, bonus and allowances and retirement benefit scheme contribution increased significantly for the six months ended 30 June 2023 as the Group has changed the form of employment of certain labourers, who were originally hired by external labour service provider companies that provide labour outsourcing services, to formal employees of the Group and the Group continuously develops business.

13. DIVIDENDS

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2023.

14. EARNINGS PER SHARE

The calculation of the basic earnings per share during the periods is based on the profit for the period attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares in issue or deemed to be in issue.

(a) Basic earnings per share

For the six months ended 30 June 2023 and 2022, the calculation of basic earnings per share is based on the profit for the period attributable to owners of the Company of approximately profit of RMB146,517,000 (unaudited) and profit of RMB166,719,000 (unaudited) respectively and the weighted average number of ordinary shares of approximately 1,772,302,000 (unaudited) and 1,506,457,000 (unaudited) in issue during the respective periods.

(b) Diluted earnings per share

No diluted earnings per share was presented as the Company did not have any dilutive potential ordinary shares during the periods.

15. TRADE AND BILLS RECEIVABLES

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Trade receivables		
Receivables from third parties	5,306,417	3,609,901
Due from related parties	2,659	330
Allowance for doubtful debts	(48,491)	(27,876)
	5,260,585	3,582,355
Bills receivables	692,872	1,753,102
	5,953,457	5,335,457

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:

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
0 to 180 days	4,825,023	3,518,891
181 to 365 days	388,198	44,688
1 to 2 years	43,029	18,776
Over 2 years	4,335	–
	<u>5,260,585</u>	<u>3,582,355</u>

Reconciliation of allowance for trade receivables:

	2023 RMB'000 (unaudited)	2022 RMB'000 (audited)
At 1 January	27,876	37,191
Allowance/(reversal of allowance) for the period/year, net	<u>20,615</u>	<u>(9,315)</u>
At 30 June/31 December	<u>48,491</u>	<u>27,876</u>

16. TRADE AND BILLS PAYABLES

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Trade payables		
Payables to third parties	6,612,021	7,656,059
Due to related parties	<u>195,768</u>	<u>646,562</u>
	6,807,789	8,302,621
Bills payables	<u>11,204,526</u>	<u>13,344,141</u>
	<u>18,012,315</u>	<u>21,646,762</u>

As at 30 June 2023 and 31 December 2022, bills payables were secured by bills receivables of RMB364,483,000 and RMB757,722,000 respectively.

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

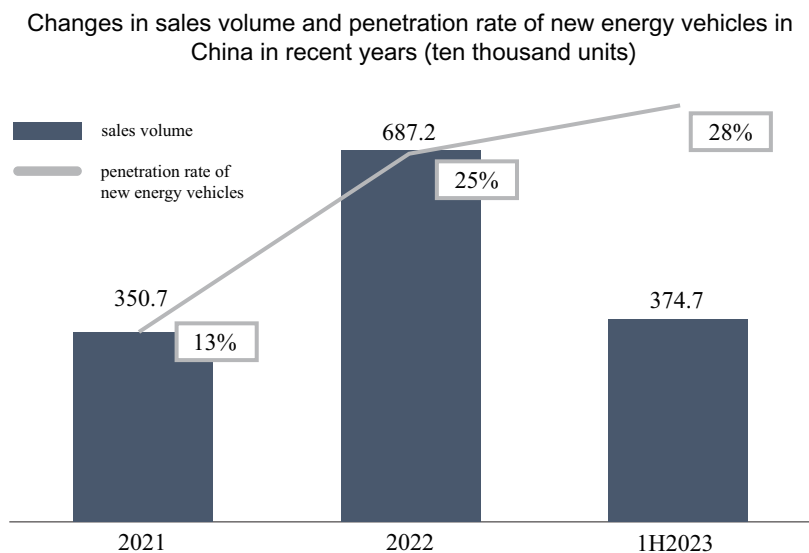
	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
0 to 180 days	6,801,926	8,297,125
181 to 365 days	5,812	4,939
1 to 2 years	51	11
Over 2 years	–	546
	<u>6,807,789</u>	<u>8,302,621</u>

MANAGEMENT DISCUSSION AND ANALYSIS

I. The Industry which the Company Operates in

1. EV battery market

In 2023, China continues to increase its support in consolidating and expanding the development advantages of new energy vehicles. From supporting the enterprise side to stimulating the consumer side, heavyweight policies were introduced intensively. In April 2023, the Guidelines for the Construction of the Carbon Peaking and Carbon Neutrality Standard System jointly issued by eleven departments specified the urgency of the dual-carbon policy, the importance of a green lifestyle, and adherence to carbon reduction and emission reduction to help achieve the dual-carbon goal. In June 2023, the Ministry of Finance and other two departments jointly issued the Announcement on Continuing and Optimizing the Vehicle Purchase Tax Reduction and Exemption Policy for New Energy Vehicles, extending the tax reduction and exemption policy for another four years to 2027, facilitating to stabilize market expectations for new energy vehicles and optimize the market environment. According to the China Association of Automobile Manufacturers, the sales volume of new energy vehicles in China in the first half of 2023 were 3.75 million units, representing a year-on-year increase of 44%, and the penetration rate of new energy vehicles reached 28.3%. According to the forecast of the China Association of Automobile Manufacturers, the sales volume of new energy vehicles in China is expected to reach 9 million units in 2023, representing a year-on-year increase of 31%.

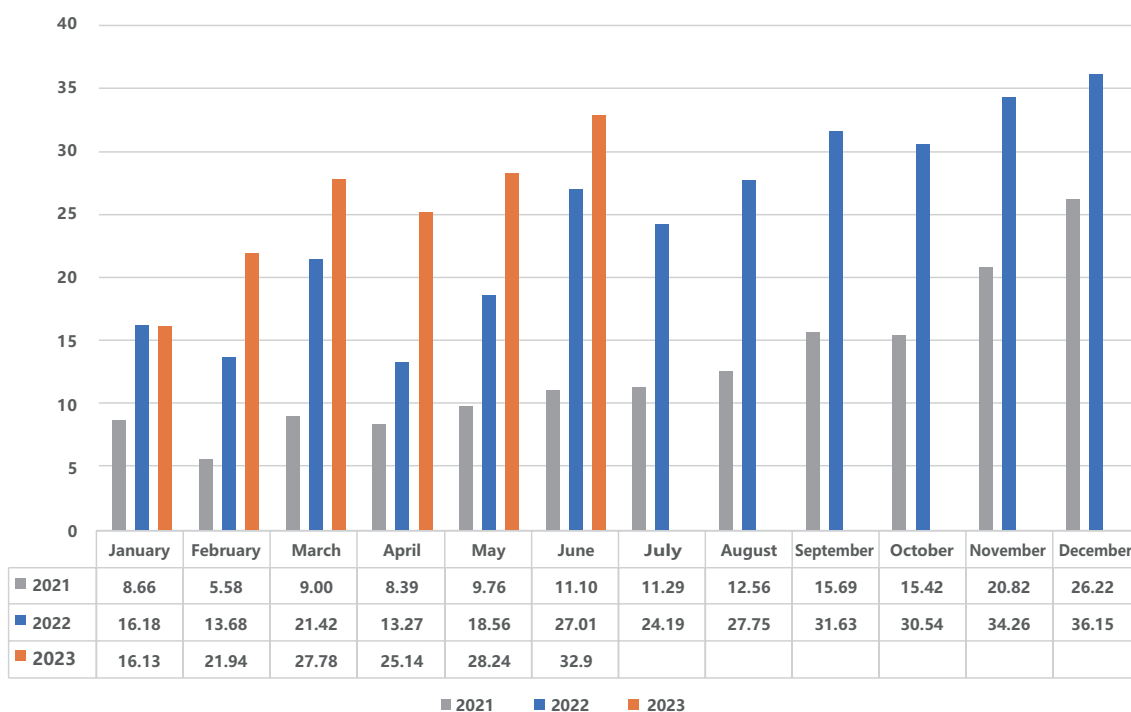


Source: China Association of Automobile Manufacturers

New energy vehicles are not only the main direction of the transformation and development of the global automobile industry, but also an important starting point of the global energy transformation strategy and an important engine to promote the sustainable growth of the world economy. According to SNE Research, the sales volume of new energy vehicles worldwide reached 6.161 million units from January to June 2023, representing a year-on-year increase of 41.7%. In June 2023, the New EU Battery Law was officially implemented, which marks a new stage in the development of the global new energy vehicle industry. Driven by the new energy vehicles, the installed capacity of EV batteries continued to grow significantly. According to SNE Research, the installed capacity of global EV batteries market reached 304.3 GWh from January to June 2023, representing a year-on-year increase of 50.1%. It is predicted that the installed capacity of EV batteries worldwide will reach 749GWh in 2023, representing a year-on-year increase of 45%.

In terms of China's market, according to the statistics of China Automotive Battery Innovation Alliance, the installed capacity of domestic EV batteries from January to June 2023 was 152.1GWh, representing a cumulative year-on-year increase of 38.1%, of which the cumulative installed capacity of LFP batteries was 103.9GWh, accounting for 68.3% of the total installed capacity, representing a cumulative year-on-year increase of 61.5%; and the cumulative installed capacity of NCM batteries was 48.0GWh, accounting for 31.5% of the total installed capacity, representing a year-on-year increase of 5.2%.

Monthly installed capacity of EV batteries in China in 2023 (GWh)



Source: China Automotive Battery Innovation Alliance

2. Energy storage market

According to data from the International Energy Agency (IEA), global renewable power generation is expected to increase by 13 times by 2030, of which solar and wind power will increase by 10 times. Under the predominance of renewable energy power generation, the new power system will require more energy storage systems to meet its flexibility needs, and energy storage technology will play a vital role in it, showing a trend of rapid development.

Driven by multiple factors such as policy support, market demand, technological progress and cost reduction, the energy storage industry has achieved rapid growth in both the global and domestic markets since the beginning of 2023. Domestically, the demand for energy storage is growing rapidly, and many provinces have issued supportive policies for the energy storage industry, leading to a surge in the number of energy storage projects. Internationally, the U.S. has increased its policy subsidies and the European Electricity Market Reform Act encourages the introduction of energy storage into power grids, which has promoted a significant increase in the newly installed capacity of energy storage in respective market.

According to the forecast of the International Energy Agency (IEA), by 2025, the cumulative installed capacity of the global energy storage market will reach 500GWh, of which new model of energy storage will account for more than 50%. With the development of technology, the future energy storage technology industry will develop in the direction of high safety, low cost, large capacity, high efficiency, and centralization, which will also further enhance the level of its digitalization, intelligence, and greening.

II. Business

As a leading international 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”, the Group 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!

The Group adhered unwaveringly to the strategy of consolidating its leadership in product and technology with a future-oriented R&D plan. The Group has various leading, first-in-class and original technologies and products worldwide, and has built hard-core product capabilities in all scenarios, which has been highly recognized by customers. With a focus on “innovation”, the Group continued to explore and innovate, improved the road map of industrial chain, and led the development of the industry to a new height. The Group continued to carry out carbon management efficiently and set a target of carbon emission reduction. While establishing its own long-term energy-saving and emission reduction mechanism, the Group made every effort to promote the coordinated carbon reduction along the whole supply chain. The Group proactively identified and actively responded to the risks and opportunities arising from climate change, formulated special measures to address climate risks so as to make contribution to the green and low-carbon development worldwide.

As of 30 June 2023, the total assets of the Group amounted to approximately RMB100.281 billion, representing an increase of 10.9% as compared with the previous year. Net assets amounted to approximately RMB44.906 billion, representing an increase of 8.0% as compared with the previous year. The Group recorded a turnover of approximately RMB12.295 billion, representing a year-on-year increase of 34.1% as compared with the previous year and net profit was approximately RMB266 million, representing a year-on-year increase of 60.8% as compared with the previous year.

The Group continued to experience a dramatic improvement of its operating performance, with the installed capacity of EV batteries continuing to present multiple growth momentum, making it one of the top five players in terms of installed capacity of EV batteries in the world. By constantly enriching its product lines, the Group substantially increased the coverage and penetration rate of various market segments while continuously strengthening the stickiness of core customers, as a result of which OEM customers were further diversified, driving the overall market share, production capacity, brand influence and industrial ecological leadership to press on and reach new heights.

1. Further breakthrough in technology

Adhering to the continuous technology innovation as the driving force, the Group relied on the six core R&D segments of the EV battery innovation center: advanced materials, advanced batteries, advanced simulation and testing, intelligent manufacturing, battery recycling technology and digitalization, persevering in increasing R&D efforts to achieve its breakthrough in technological development, continuously boosting the core competitiveness of the Group.

During the Reporting Period, the Group applied for 1,009 patents, 534 patents were granted. As of 30 June 2023, the Group accumulatively applied for 3,724 patents, among which, 2,232 patents were granted, and 1,492 patents were pending for approval, establishing a patent portfolio in the entire battery industry chain covering battery materials, battery structure, system integration, electrical circuits, BMS, manufacturing process equipment and battery recycling.

2. Gaining a leading position again in terms of products

Putting together its own technical capabilities and industrialization strength, the Group constantly pursued the high energy density and stable safety performance of EV batteries, launching more competitive new products of ternary series and phosphate series. The Group continued to maintain its leading position in the market by devoting its efforts in power storage (new energy power generation and power grid), industrial and commercial energy storage, household energy storage and other application scenarios.

In the power market, the Group's product line has been further enriched. While completing the multi-scenario presence across the field, the Group has maintained a high standardization of product specifications and strong scalability, wide application in the main models of various leading customers, leading the development of standardization of prismatic batteries in the industry. The Group's first ultra-fast charging, high-power and high-energy-density products have been highly recognized in the mid-to-high-end EV and hybrid markets, and are adapted to a number of popular models, further consolidating competitive edges in technology and product capabilities.

On the energy storage market front, the Group has developed a series of products with high performance, high safety, and high application efficiency. Among them, on the battery cell front, the Group's products feature the advantages of high safety, high energy efficiency and low levelized cost of energy, covering the broad-ranging demand of various energy storage users from portable energy storage to household energy storage, industrial and commercial distributed energy storage, large-scale energy storage power stations on power grid side and power generation side. On the system front, the Group's integrated energy storage products have the advantages of high reliability, all-climate scenario application and full specifications, which effectively address the differentiated needs of various customers for energy storage.

The main products include:

(1) Ternary EV batteries:

- 1) 400V 2C medium-nickel high-voltage battery: the first among high-end EV batteries, which can achieve 20%-80% charging within 18 minutes, and which has been delivered in batches for customers' various models such as 100kWh model, shortening the charging time by 50% as compared with the previous generation;
- 2) 800V 3C/4C medium-nickel high-voltage battery: the first of its kind to achieve 20%-80% charging within 10 minutes, which improves the user's experience of energy replenishment, and has been delivered in batches;
- 3) 800V 6C high nickel battery: the 46 series of large cylinder products launched by the Group achieved structural innovation, which reduced the internal resistance of the structure by 50% and increased the space utilization by 3% as compared with other large cylinder structures such as "tabless" and "all tab". Leveraging the fast charging material system with high-energy technology, the maximum fast charging capacity of the battery cells exceeds 6C while the energy density of the battery cells is as high as 300Wh/kg, which greatly alleviates the user's concerns over energy replenishment;
- 4) High-energy and high-nickel multi-element battery: through innovative technologies such as multi-doped cathode, self-buffered silicon carbon anode, high-safety electrolyte and self-healing interface, the cycle life exceeds 1,500 times on the basis of the energy density of the battery cells as high as 350Wh/kg. At the same time, through the extreme needle puncture test, the safety of high-energy batteries is guaranteed to the greatest extent, achieving new breakthroughs in safety and life;
- 5) Ultra-high energy density semi-solid battery: focusing on the intrinsic safety requirements of ultra-high energy batteries, through the combination of the advantages of new liquid safety electrolyte and solid-state safety technology, the cycle life is close to 1,000 times of the battery cells while the energy density of the battery cells exceeds 400Wh/kg, achieving the ultimate balance of energy, performance and safety.

(2) Phosphate series EV batteries :

- 1) the high-power LFP battery: featuring high power and all-climate scenario application, which are high-quality products developed for the hybrid passenger vehicle market, with mileage coverage ranging 80km-300km, and have been fully delivered in batches for hybrid models of leading customers;
- 2) the high specific energy LFP battery: in light of adoption of the world's first all tab laminated technology, the battery cell is thinner and lighter, with better volumetric efficiency and assembly efficiency, and has been delivered to many leading customers in batches, leading the third-generation benchmark for prismatic products in the industry;
- 3) 800V 3C fast-charging LFP battery: following the first launch of this product adapted to the models of its OEM customers in 2022, the fast-charging LFP product firstly launched by the Group has been highly recognized in the market, featuring high specific energy, high rate and fast charging. As another solution for the pure electric market of mid-to-high-end passenger vehicle, this product has been delivered in batches for application in various popular models;
- 4) One-Stop LFP battery: as the LFP battery pack with the highest energy density (153Wh/kg) which has been put into mass production in the industry, it supports a longer driving range of 600km, has been delivered to leading customers in batches for the debut of blockbuster model;
- 5) One-Stop high-manganese iron lithium battery: with 0 nickel and 0 cobalt consumption as well as 15% reduction of lithium consumption, the battery pack features the energy density of 180Wh/kg, supporting a longer driving range of over 700km;

(3) Energy storage products: with the characteristics of long life, high efficiency and high safety, it is a customized product developed based on the issues of energy storage scenarios, supporting the application of energy storage products and solutions in all scenarios.

- 1) For power storage application scenario, 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 overcharge, over-discharge, over-temperature, over-current, and short circuit, successively passing a series of overseas certifications such as UL/IEC/CE with excellent performance, with features such as easy interaction, high adaptability, high efficiency, high security, etc., which not only adapts to mainstream inverters, but also reduces the purchase cost and electricity bills.

3. *Business achievements*

The Group continued to maintain rapid growth in EV batteries and energy storage system market. In terms of passenger vehicle market development, the Group recorded a total of installed capacity of 12GWh in the first half of 2023, up 53% year-on-year; its installed capacity for a single month exceeded 3GWh, making it among the global top five by installed capacity. By market segment, the Group continued to maintain its leadership in the BEV market, and as its installed capacity grew steadily, its market share kept rising, which further widened its leading advantages; in the PHEV/REEV market segment, it further improved its strategic layout by conducting a designated cooperation with customers for many hybrid models, as a result of which the number of products adapting to the models increase continuously.

In terms of passenger vehicle business, the Group established a long-term strategic partnership with major partners, and its market share continued to rise. In the first half of 2023, the Group helped customers including AION, XPeng, Deepal, NIO, Leapmotor and Smart to launch many new models, including the XPeng G6 featuring 800V high-voltage fast charging battery cell, the Deepal S7 which is Deepal's first strategic SUV model featuring PHEV/REEV dual power, the brand-new NIO ES6 built on the NT2.0 platform, Leapmotor C-Series models, etc. Meanwhile, the Group obtained the designated cooperation from several leading customers for many of their models, which further improved its customer layout. In terms of export market, the Group's deliveries to Smart, Honda and other customers continued to increase steadily, while its mass production and deliveries overseas models were launched. Moreover, the Group is about to mass-produce and deliver the export models of XPeng, Volvo and other customers.

In terms of commercial vehicle business, the Group achieved comprehensive cooperation with and batch deliveries to customers such as Geely, Ruichi, Chery, FAW, XCMG, Sinotruk, Shaanxi Automobile and King Long Automobile, which enabled it to become the core supplier and partner of the leading enterprises in the industry. The Group's products have been highly recognized by automakers and end users. At the same time, the Group won the bidding/designation of several core customers for their next-generation major models, laying a foundation for the explosive growth of the commercial vehicle market.

In terms of the ESS business, while continuing to maintain the influence in the power storage market segment, the Group completed its important layout in the industrial and commercial energy storage, household energy storage market segment. The Group has obtained the centralized procurement and supplier designation on annual basis from a number of central power enterprises, system integrators, top-tiered photovoltaic and wind power enterprises through the comprehensive layout of full-scenario energy storage products and solutions, which laid a foundation for the high growth in the energy storage market.

III. Future Prospects

1. *Innovation in technologies and products*

The Group adheres unwaveringly to the strategy of consolidating its leadership in product and technology and 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 battery full life cycle 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 focus on the high energy density and high resource utilization efficiency to accelerate the development of new material technologies and their industrialization, while continuing to innovate and make breakthroughs in material technology to fully support the market demand in terms of performance, quality and cost; focus on the key energy storage materials including high-manganese iron lithium materials, 5V high-voltage lithium nickel-manganate materials and new silicon carbon anode materials to complete key technological breakthroughs;
- In the field 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 capability of batch deliveries, and introduce the “Top-flow” Cylindrical Battery technology with a brand-new structure to realize 6C fast charging and support the high-energy ultra-fast charging scenario application;
- 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 safety, high power and all-climate technology. It completed promotion of the high specific-energy 4C ultra-fast charging prismatic battery products, and achieved key technological breakthroughs in the long life of energy storage cells. The Group launched One-stop battery with a high specific energy of 350Wh/kg which passed the extreme nail penetration test, leading the industry;
- In the field of new batteries, the Group will focus on the next-generation battery technologies such as high-manganese iron lithium batteries, 5V high-voltage lithium nickel-manganate batteries, high-specific-energy anode-free batteries, all-solid-state batteries and lithium-sulfur batteries to maintain its leading advantages; and
- In terms of battery full life cycle management, with the goal of maximizing the value of battery full life cycle, the Group will continue to invest in the development of intelligent battery management technology, so as to realize a safe, reliable and long-life operation of battery. Meanwhile, in order to achieve a sustainable social value, the Group 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, and will pool its efforts and resources to provide comprehensive product solutions and full life cycle management for the new energy full-scenario application market represented by EV batteries and ESS products.

In the EV battery market, the Group will continue to break through the technical boundaries and devote its efforts in various market segments to carry out all-round product layout. In the fast-growing hybrid field, the Group will develop PHEV/REEV platform products covering the mileage range of 80km-300km. The Group has formed comprehensive strategic cooperations with domestic self-owned brands in hybrid architecture and technology, focusing on and strongly supporting the full electrification transformation of traditional automakers.

In the 400V pure electric vehicle market, with One-Stop technology as a breakthrough, the Group will iteratively roll out battery products with higher energy density and faster charging speed. In addition to the existing One-Stop OS LFP battery packs, the new generation of One-Stop of the Group will be equipped with high-manganese iron lithium technology, which can increase the energy density of the battery pack to 180Wh/kg and support a driving range of more than 700km. In the 800V pure electric vehicle market, the Group will deploy two major product lines, for which one product line is mainly based on prismatic batteries, which can meet the charging scenarios of up to 4C, and the another product line is mainly based on cylinder batteries, which aims to provide the best solution for 6C and above ultra-fast charging scenario. Through the product layout covering all fields and multiple scenarios, the Group will further consolidate the advantages in the high, medium and low-level pure electric vehicle market segment.

In the ESS products market, the Group will maintain its 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 users with full-scenario ESS products and solutions. Through continuous technological innovation and product upgrades to meet the requirements of large-scale energy storage applications for the high safety, strong performance and low cost of the products, the ESS products market will further empower the global energy storage era and market in the future and become another new business growth momentum for the Group.

IV. Financial Review

Overview

During the Reporting Period, the revenue of the Group increased from RMB9,167.20 million for the six months ended 30 June 2022 to RMB12,294.71 million for the six months ended 30 June 2023, representing an increase of 34.1%; the gross profit of the Group increased from RMB870.48 million for the six months ended 30 June 2022 to RMB1,179.07 million for the six months ended 30 June 2023, representing an increase of 35.5%.

During the Reporting Period, the profit of the Group for the period increased from RMB165.70 million for the six months ended 30 June 2022 to RMB266.49 million for the six months ended 30 June 2023, representing an increase of 60.8%; the profit for the year attributable to the owners of the Company decreased from RMB166.72 million for the six months ended 30 June 2022 to RMB146.52 million for the six months ended 30 June 2023, representing a decrease of 12.1%; the basic earnings per share of the Group decreased from RMB0.1107 for the six months ended 30 June 2022 to RMB0.0827 for the six months ended 30 June 2023, representing a decrease of 25.3%.

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

Financial indicators	For the six months ended 30 June (unaudited)	
	2023	2022
Gross profit margin (%)	9.6%	9.5%
Net sales margin (%)	2.2%	1.8%

The gross profit margin of the Group increased by 0.1 percentage point from 9.5% for the six months ended 30 June 2022 to 9.6% for the six months ended 30 June 2023, 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 sales margin of the Group increased by 0.4 percentage point from 1.8% for the six months ended 30 June 2022 to 2.2% for the six months ended 30 June 2023, primarily due to the increase in the gross profit of the Group and effective control over various expenses.

Revenue structure

During the Reporting Period, the Group generated revenue from the sales of EV batteries, ESS products and others. The revenue of the Group increased from RMB9,167.20 million for the six months ended 30 June 2022 to RMB12,294.71 million for the six months ended 30 June 2023, representing an increase of 34.1%. The increase was mainly due to the gradual release of the Group's production capacity, continuously enriched product lines, market expansion and the increasing customer demands.

1) Revenue by product

Items	For the six months ended 30 June (unaudited)			
	2023		2022	
	Revenue	Percentage	Revenue	Percentage
	(RMB'000)	of revenue	(RMB'000)	of revenue
		(%)		(%)
EV batteries	10,377,467	84.4%	8,646,346	94.3%
ESS products and others	1,917,245	15.6%	520,854	5.7%
Total	12,294,712	100.0%	9,167,200	100.0%

During the Reporting Period, the revenue generated from the sales of EV batteries of the Group increased by 20.0% from RMB8,646.35 million for the six months ended 30 June 2022 to RMB10,377.47 million for the six months ended 30 June 2023. The growth was mainly attributable to the release of the Company's production capacity, continuously enriched product lines, the increase in market and customers demand, increased stickiness of cooperation with core customers, the further diversification of ancillary customers, as well as the continuous rapid growth of the passenger vehicle and commercial vehicle businesses.

During the Reporting Period, the revenue generated from the ESS products and others of the Group increased by 268.1% from RMB520.85 million for the six months ended 30 June 2022 to RMB1,917.25 million for the six months ended 30 June 2023. The strong increase was mainly due to the significant increase in sales value arising from the growing sales volume, with the development of the energy storage application market, as the Group continued to explore the market segments including ESS at home and abroad, covering various application scenarios such as power supply side, power grid side and user side.

2) *Revenue by geographical location of product delivery*

Items	For the six months ended 30 June (unaudited)			
	2023		2022	
	Revenue (RMB'000)	Percentage of revenue (%)	Revenue (RMB'000)	Percentage of revenue (%)
Mainland China	11,920,164	97.0%	8,993,569	98.1%
Overseas regions	374,548	3.0%	173,631	1.9%
Total	12,294,712	100.0%	9,167,200	100.0%

During the Reporting Period, the Group's revenue from Mainland China increased by 32.5% from RMB8,993.57 million for the six months ended 30 June 2022 to RMB11,920.16 million for the six months ended 30 June 2023. 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 115.7% from RMB173.63 million for the six months ended 30 June 2022 to RMB374.55 million for the six months ended 30 June 2023. The increase was mainly attributable to the significant growth of the Group's overseas operations driven by the strong growth of the energy storage business in overseas regions.

Financial position

1) *Assets*

The total assets of the Group increased from RMB90,460.62 million as at 31 December 2022 to RMB100,280.72 million as at 30 June 2023, representing an increase of 10.9%, among which, non-current assets increased from RMB53,101.17 million as at 31 December 2022 to RMB66,827.23 million as at 30 June 2023, representing an increase of 25.8%. 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 decreased from RMB37,359.45 million as at 31 December 2022 to RMB33,453.49 million as at 30 June 2023, representing a decrease of 10.5%. Such decrease was mainly due to the decrease in bank deposits as part of the proceeds from the issue of H shares was utilised by the Company for the construction of production bases, and the decrease in inventories as the improvement in operational efficiency.

2) *Liabilities*

The total liabilities of the Group increased from RMB48,885.16 million as at 31 December 2022 to RMB55,374.69 million as at 30 June 2023, representing an increase of 13.3%, among which, current liabilities increased from RMB32,774.95 million as at 31 December 2022 to RMB33,231.87 million as at 30 June 2023, representing an increase of 1.4%. Such increase was mainly attributable to business expansion, continuous investment in construction of production bases, increase in payables for property, plant and equipment and others. Non-current liabilities increased from RMB16,110.21 million as at 31 December 2022 to RMB22,142.82 million as at 30 June 2023, representing an increase of 37.4%. Such increase was mainly due to the increase in syndicated borrowings for projects for meeting the capital needs of the Group's business expansion and continuous investment in key projects.

Liquidity and financial resources

The operating cash outflow of the Group for the six months ended 30 June 2023 amounted to RMB2,724.89 million, representing a decrease of RMB3,168.11 million as compared with the RMB443.22 million of the operating cash inflow for the six months ended 30 June 2022, which was mainly attributable to the increase in payments of expenses including materials and labor costs as the growth of business.

The bank and cash balances (including pledged and restricted bank deposits) of the Group as at 30 June 2023 were approximately RMB9,686.80 million (31 December 2022: RMB12,916.90 million).

The total borrowings of the Group as at 30 June 2023 amounted to approximately RMB26,843.71 million (31 December 2022: RMB17,707.48 million), mainly including project loans from banks and discounted bills financing. The repayment terms are due within one year of approximately RMB5,829.16 million, which was mainly for the financing of discounted bills. Approximately RMB21,014.55 million after one year, which was mainly the medium and long-term project loans from banks.

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 department 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, Euros, U.S. dollars 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 30 June 2023, the outstanding loans of the Group were RMB-denominated loans with approximately 21.0% 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 30 June 2023 was 42.0% (31 December 2022: 17.7%). The increase in the gearing ratio was mainly due to the increased borrowings for 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 Euros, 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 six months ended 30 June 2023 amounted to RMB11,991.84 million (2022: RMB11,030.90 million) 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. The total of capital expenditures contracted but not incurred as at 30 June 2023 was RMB23,650.68 million (31 December 2022: RMB29,204.78 million).

Restricted assets

As at 30 June 2023, the Group had restricted assets with a total carrying amount of RMB3,014.87 million for obtaining bank loans and other bank facilities. These assets include pledged and restricted bank deposits of RMB1,242.01 million, bills receivables of RMB364.48 million, property, plant and equipment of RMB962.36 million and right-of-use assets of RMB446.02 million.

Significant investments held

As at 30 June 2023, the Group did not hold any significant investments.

Future plans for significant investments and capital assets

As at 30 June 2023, the Group did not have any other plans for significant external investments and capital assets.

Material acquisitions and disposals of subsidiaries and associates

During the six months ended 30 June 2023, the Group had no material acquisitions or disposals of subsidiaries and associates.

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 condensed financial statements. The maximum exposure to the Group that may result from the default of these endorsed or discounted bills as at 30 June 2023 and 31 December 2022 are as follows:

	As at 30 June 2023 RMB'000 (unaudited)	As at 31 December 2022 RMB'000 (audited)
Endorsed and discounted bills	<u>4,993,866</u>	<u>3,534,942</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 is unlikely that an outflow of economic benefits will result from the proper settlement of these claims related to Patent I, Patent II, Patent III and Patent IV. Accordingly, the Group had the following contingent liabilities as at 30 June 2022:

Claim related to:	Damages claimed by CATL RMB'000	Expenses claimed by CATL RMB'000
Patent I relates to battery cathode piece technology	30,000	500
Patent II relates to an air tightness detection structure of explosion-proof device arranged on the battery cover	365,000*	1,200*
Patent III relates to battery cathode piece technology	12,000	500
Patent IV relates to battery anode 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, based on the assessment and calculation of the estimated compensation amount conducted by the Company's internal legal counsel and external legal counsel, it is more likely that the estimated compensation amount of the above claims will be reduced in the second instance. Accordingly, after careful consideration, the Company accrued a total of RMB8.64 million for the claims of Patent I, Patent III and Patent IV based on the assessment and calculation results of the amount of compensation made by 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 shall pay costs of RMB0.13 million 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 for this case. Details are set out in note 39(b) to the 2022 Annual Report.

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 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 shall 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 for this case. Details are set out in note 39(b) to the 2022 Annual Report.

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 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 for this case. Details are set out in note 39(b) to the 2022 Annual Report.

On 3 August 2023, the Company received the Decisions on Request for Invalidation from the China National Intellectual Property Administration (“CNIPA”), declaring the patent rights of both Patent I and Patent IV invalid in their entirety. According to Article 2 of the Interpretation (II) of the Supreme People’s Court on Several Issues Concerning the Application of Law in the Trial of Patent Infringement Disputes (2020 Amendment), where the claims of a patentee in a patent infringement action is declared invalid by the CNIPA, the court may rule to dismiss the action which is initiated based on such invalid claims. Details are set out in the Company’s announcement dated 3 August 2023. As the infringement claims related to Patent I and Patent IV have not yet been dismissed by the Fuzhou Intermediate Court or the Supreme Court, the Group did not reverse any provisions made in 2022.

As set out above, the Group made total provision of RMB8.64 million for Claims in relation to Patent I, III and IV as at 30 June 2023 and 31 December 2022.

After assessing the analysis and views of the Company’s internal legal counsel and external legal counsel, the Directors were of the view that the claims in respect of Patent II and Patent VI were 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 30 June 2023 are set out below:

Claim related to:	Damages claimed by CATL RMB’000	Expenses claimed by CATL RMB’000
Patent II relates to an air tightness detection structure of explosion-proof device arranged on the battery cover	365,000*	1,200*
Patent VI 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 30 June 2023.

OTHER INFORMATION

Use of Proceeds from Listing

The H Shares of the Company were listed on the Main Board of the Stock Exchange on 6 October 2022 (the “**Listing Date**”). The Company issued a total of 265,845,300 ordinary shares of RMB1.00 each at a price of HK\$38.00 per share, total proceeds from the listing amounted to HK\$10,102.12 million under the Global Offering. 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 23 September 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 30 June 2023 (in HK\$ million)	Net unutilized as at 30 June 2023 (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	5,800.96	2,183.12	By 31 December 2024
For advanced technologies research and development	10.0	998.01	0.00	998.01	By 31 December 2023
For working capital and general corporate purposes	10.0	998.01	32.24	965.77	By 31 December 2023
Total	100.0	9,980.10	5,833.20	4,146.90	

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.

Employees and Remuneration Policies

The remuneration system of the Company includes basic remuneration, bonuses and employee benefits. The Company strictly abides by national regulations and pays social security for employees in full every month. The Company continued to optimize and promote the talent incentive scheme, and established a hierarchical and classified incentive system for different employee categories. The remuneration of the Company's employees is based on the remuneration concept of 3P1M (person performance position market), which is mainly determined based on factors such as market conditions, position value, individual performance and personal ability, and differentiated remuneration structure and remuneration grades are determined according to the characteristics of different positions and posts. The Company adopts the A+ABC performance management model, and motivates the employees and stimulates their potential to the greatest extent through the employees' promotion and salary adjustment, performance incentives, equity incentives, talent policies and more.

As at 30 June 2023, the Group had 21,587 employees, representing a greater increase as compared with the total number of employees as of 31 December 2022. The increase in Company's overall headcount was mainly due to the impact of the change of the form of employment of certain employees who were originally hired by external labour service provider companies that provide labour outsourcing services to formal employees of the Group and the continuous business development.

Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Group nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2023.

Interim Dividend

The Board has resolved not to recommend the payment of an interim dividend for the six months ended 30 June 2023. No capital reserve will be converted into share capital and no other forms of distribution.

Events after the Reporting Period

After due and careful consideration, our Directors confirm that, there was no material adverse change in financial or trading position or prospects of the Company from 30 June 2023 to the date of this announcement.

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 "**Stock Exchange**") of Hong Kong Limited (the "**Listing Rules**").

For the six months ended 30 June 2023, the Company had complied with all applicable Code Provisions of Part 2 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 authorities 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, Supervisors and senior management of the Company. Having made specific enquiries by the Company, the Directors have confirmed that they have complied with the Model Code for the six months ended 30 June 2023.

Review of Interim Results by Audit Committee

The Company has established an 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 Provision D.3.3 of the CG Code. The Audit Committee consists of three independent non-executive Directors, namely Mr. Wang Susheng, Mr. Wu Guangquan and Mr. Chen Zetong. The Audit Committee is currently chaired by Mr. Wang Susheng, who has the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The Audit Committee has reviewed the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2023 with the management of the Company, and has confirmed that the statements were in compliance with all applicable accounting principles, standards and requirements and have made adequate disclosures. The Audit Committee has also discussed auditing and financial reporting matters.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.calb-tech.com). The interim report of the Company for the six months ended 30 June 2023, containing all the information required by the Listing Rules, will be despatched to the shareholders of the Company 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
29 August 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 and Mr. Li Yunxiang as non-executive Directors, and Mr. Wu Guangquan, Mr. Wang Susheng and Mr. Chen Zetong as independent non-executive Directors.