Application Proof of

REPT 瑞浦兰钧
BATTERO

REPT BATTERO Energy Co., Ltd.
瑞浦蘭鈞能源股份有限公司

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

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REPT BATTERO Energy Co., Ltd.
瑞浦蘭鈞能源股份有限公司

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

[REDACTED]

Number of [REDACTED] under the [REDACTED]	:	**[REDACTED] H Shares (subject to the [REDACTED])**
Number of [REDACTED]	:	**[REDACTED] H Shares (subject to reallocation)**
Number of [REDACTED]	:	**[REDACTED] H Shares (subject to reallocation and the [REDACTED])**
Maximum [REDACTED]	:	**HK$[REDACTED] per H Share plus brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	:	**RMB1.00 per H Share**

[REDACTED]

***Joint Sponsors,* [REDACTED], [REDACTED], [REDACTED] *and* [REDACTED]**

Morgan Stanley

CITIC SECURITIES

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We are incorporated, and most of our businesses are operated, in the PRC. Potential investors should be aware of the differences in legal, economic and financial systems between the PRC and Hong Kong and that there are different risk factors relating to investments in PRC-incorporated businesses. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong and should take into consideration the different market nature of the H Shares. Such differences and risk factors are set out in the sections headed "Risk Factors", "Appendix IV – Summary of Principal Legal and Regulatory Provisions" and "Appendix V – Summary of the Articles of Association". Potential investors should consider carefully all the information set out in this document and, in particular, the matters discussed in the abovementioned sections.

Prospective investors of the [REDACTED] should note that the obligations of the [REDACTED] under the [REDACTED] to [REDACTED], the [REDACTED], are subject to termination by the [REDACTED] and the [REDACTED] (for themselves and on behalf of the [REDACTED]) if certain grounds arise prior to 8:00 a.m. on the [REDACTED]. See "[REDACTED]" for such grounds. It is important that you refer to that section for further details.

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Prior to making an investment decision, prospective investors should consider carefully all the information set out in this document, including the risk factors set out in "Risk Factors". The obligations of the [**REDACTED**] under the [**REDACTED**] are subject to termination by the [**REDACTED**] and the [**REDACTED**] (for themselves and on behalf of the [**REDACTED**]) if certain grounds arise prior to 8:00 a.m. on the [**REDACTED**]. Such grounds are set out in "[**REDACTED**]".

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We have adopted a fully electronic application process for the [REDACTED]. We will not provide printed copies of this document or printed copies of any [REDACTED] to the public in relation to the [REDACTED].

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IMPORTANT

[**REDACTED**]

[**REDACTED**]

EXPECTED TIMETABLE[1]

[**REDACTED**]

EXPECTED TIMETABLE[1]

[**REDACTED**]

[REDACTED]

CONTENTS

IMPORTANT NOTICE TO INVESTORS

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This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read this document in its entirety before you decide to invest in the [**REDACTED**]. *There are risks associated with any investment. Some of the particular risks in investing in the* [**REDACTED**] *are set out in the section headed "Risk Factors" in this document. You should read that section carefully before you decide to invest in the* [**REDACTED**].

OVERVIEW

We are a lithium-ion battery manufacturer in China. We focus on the R&D, manufacturing and sales of lithium-ion EV battery products and ESS battery products. We were established in October 2017, and achieved bulk delivery for lithium-ion batteries in April 2019. In 2022, we had a 8.8% market share, ranking third among lithium-ion battery manufacturers globally in terms of global ESS battery installations, and a 1.7% market share, ranking tenth, of the EV battery products in China in terms of amount of installation. Our EV battery products include LFP battery products and ternary lithium battery products used in various types of passenger vehicles, commercial vehicles and special vehicles. We have a diverse and balanced EV battery customer base, covering established automotive companies as well as emerging EV manufacturers. Our ESS battery products are LFP battery products for a broad range of household, commercial and industrial energy storage. Our ESS battery customers primarily include household ESS integrators, photovoltaic inverter manufacturers, system integrators and EPC firms. Our sales volume of battery products increased significantly from 1.55GWh in 2020 to 16.61GWh in 2022, representing a CAGR of 227.4%.

Market Ranking

According to the F&S Report, in 2022, we were:

- the tenth largest lithium-ion battery manufacturer globally in terms of annual installation for new energy applications, which include EV battery and ESS battery;
- the sixth largest lithium-ion battery manufacturer in China in terms of global annual installations for new energy applications, which include EV battery and ESS battery;
- the tenth largest lithium-ion battery manufacturer globally in terms of China EV battery installations;
- the third largest lithium-ion battery manufacturer globally in terms of global ESS battery installations.

OUR PRODUCTS

We are mainly engaged in the design, R&D, manufacturing and sales of lithium-ion EV battery products and ESS battery products. In 2020, 2021 and 2022, we generated 94.3%, 87.3% and 89.1% of our revenue from the sales of EV and ESS battery products.

EV Battery Products

Our EV battery products are produced and sold in the form of battery cells, battery modules and battery packs depending on the needs of our customers. EV batteries that are installed in EVs are typically battery packs.

ESS Battery Products

Our ESS battery products are primarily LFP battery products and are mainly produced and sold in battery cells, battery modules and battery packs which include battery boxes, battery racks and energy storage containers. Battery racks and energy storage containers can be directly applied in various energy storage use cases.

For more details on our products, please refer to "Business – Our Products" in this document.

OUR CUSTOMERS

We have a diverse and balanced EV battery customer base, covering domestic and overseas established automotive companies as well as emerging EV manufacturers. Our EV battery customer base also covers an established vehicle company headquartered in Netherlands, a luxury vehicle company headquartered in Germany and a leading EV company listed on NASDAQ and headquartered in the United States. For commercial vehicles and special vehicles, we have established partnerships with various leading producers of commercial vehicles, special vehicles and construction machineries to further expand our customer base and our product range. Our EV battery products are also used in overseas market including Middle East, Africa, Southeast Asia and India through direct export and export by OEMs.

Our ESS battery customers primarily include household ESS integrators, photovoltaic inverter manufacturers, system integrators and EPC firms. Our ESS battery products are used in household, commercial and industrial applications worldwide, including China and overseas markets such as the United States, Europe, Japan, Australia, India, Southeast Asia and Africa.

In each of 2020, 2021 and 2022, sales to our largest customer for the respective periods accounted for 38.6%, 24.5% and 11.7% of our revenue, respectively, while our five largest customers for the same periods accounted for 69.7%, 51.0% and 38.2% of our revenue, respectively.

For more details on our customers, please refer to "Business – Marketing, Sales and Customers" in this document.

OUR RESEARCH AND DEVELOPMENT CAPABILITIES

Strong R&D capabilities are the key to our success. We have R&D centers in Shanghai and Wenzhou, and an R&D center in Jiashan which is under construction, with 2,063 R&D personnel as of December 31, 2022. The core members of our R&D team are highly experienced and have extensive connections in the lithium-ion battery industry.

We have a series of technologies with advantages in terms of battery materials, battery design and battery structure, production technique and equipment, which helped us build up a product portfolio that is able to achieve safety, reliability and outstanding performance, while improving production efficiency. We have the following R&D highlights:

- *WenDing ("問頂") technology*. In August 2022, we launched prismatic batteries that utilized our WenDing ("問頂") technology, such technology can be applied to LFP battery products as well as ternary lithium battery products to achieve strong performance.

- *Easy-for-Tera cells ("ET電芯")*. Our Easy-for-Tera cells ("ET電芯") are flat batteries adopting high-speed winding, cutting or stacking integration technology, which improves the efficiency of the production process and battery performance.

- *Versatile power station*. Our versatile power station can be used in various use cases such as electrical energy storage, vehicle charging and utility power backup.

- *Semi-solid prismatic batteries*. We have delivered prototypes of semi-solid prismatic batteries to a luxury vehicle company in Europe, with whom we are conducting battery performance tests.

- *Sodium-ion battery.* We are in the process of developing sodium-ion batteries. Such batteries are likely to reduce the cost of ESS batteries.

For more details on our R&D, please refer to "Business – Research and Development" in this document.

OUR EXISTING PRODUCTION FACILITIES

We currently have production facilities at Wenzhou, Zhejiang Province and Jiashan, Zhejiang Province. Our production lines are designed to be compatible with the production of different battery products. With some alterations, our EV battery production lines can be used for the manufacture of ESS battery products with similar specifications and vice versa. Our designed annual production capacity reached 35.2GWh as of December 31, 2022. We have also been able to shorten the period we need to reach optimal production utilization rate at a new production line since our inception.

OUR SUPPLIERS

Our suppliers are primarily raw material providers. We carefully select our suppliers and require them to satisfy various assessment criteria. We only procure raw materials from the suppliers listed on our qualified supplier catalog. All potential suppliers must pass our internal supplier admission standard before entering into our qualified supplier catalog. We consider several factors in the selection of suppliers, including but not limited to the potential supplier's material performance, supplies quality, prices offered, years of operation and quality control accreditations. Potential key raw materials suppliers are subject to onsite inspection conducted by us in order to evaluate their production processes, quality-control, and ESG related performance indicator including carbon emission and pollution management. We also carry out regular on-site audits and audits of qualified suppliers each year.

In each of 2020, 2021 and 2022, purchases from our largest supplier for the respective periods accounted for 9.7%, 8.4% and 9.1% of our total amount of purchase, respectively, while our five largest suppliers for the same periods accounted for 36.8%, 33.2% and 30.3% of our total amount of purchase, respectively. We believe that we have a good cooperation relationship with our key suppliers.

For more details on our suppliers, please refer to "Business – Raw Materials, Components and Suppliers" in this document.

OUR COMPETITIVE STRENGTHS

Our competitive strengths include:

- Fast growing battery manufacturer in a booming industry
- Strong R&D capabilities
- High-quality and diverse customer base
- Long-term, stable and cost-effective supply chain
- Strong mass production capability
- Experienced and dedicated team with entrepreneurial spirit and rich industry experience
- Commitment to green and sustainable development with high ESG standard

OUR DEVELOPMENT STRATEGIES

Our development strategies include:

- Further our dual-focus on EV and ESS batteries
- Devote to R&D and innovation
- Expand our production capacity steadily and orderly according to market demand while pursuing cost leadership
- Ensure stable and cost-effective supply of raw materials
- Promote green and sustainable development with high ESG standards

COMPETITION

According to the F&S Report, the EV battery market is highly concentrated in China, with top five EV battery manufacturers accounting for approximately 85.3% of total EV battery installation volume in China in 2022. ESS market is still at the initial stage of development. According to the F&S Report, the top five China-based ESS battery manufacturers accounted for approximately 61.3% of the global total ESS battery installation volume in 2022.

RESULTS OF OPERATIONS

The table below summarizes our results of operations with selected items of our consolidated statement of profit or loss and as percentages of our total revenue for the years indicated.

	Year Ended December 31,					
	2020		2021		2022	
	(in RMB thousands, except for percentages)					
Revenue	906,986	100.0%	2,109,144	100.0%	14,647,778	100.0%
Cost of sales	(795,888)	(87.8)%	(2,434,024)	(115.4)%	(13,559,490)	(92.6)%
Gross profit/(loss)	111,098	12.2%	(324,880)	(15.4)%	1,088,288	7.4%
Selling and distribution expenses	(34,036)	(3.8)%	(72,346)	(3.4)%	(320,795)	(2.2)%
Administrative expenses	(34,007)	(3.7)%	(160,612)	(7.6)%	(346,787)	(2.4)%
R&D expenses	(72,716)	(8.0)%	(245,558)	(11.6)%	(767,685)	(5.2)%
Loss before tax	(53,279)	(5.9)%	(804,209)	(38.1)%	(450,798)	(3.1)%
Loss for the year	(53,279)	(5.9)%	(804,209)	(38.1)%	(450,823)	(3.1)%
Attributable to:						
Owners of the parent	(40,843)	(4.5)%	(717,227)	(34.0)%	(354,121)	(2.4)%
Non-controlling interests	(12,436)	(1.4)%	(86,982)	(4.1)%	(96,702)	(0.7)%

Non-IFRS Measure

To supplement our consolidated statements of profit or loss that are presented in accordance with IFRS, we also use adjusted EBITDA as a non-IFRS measure, which is not required by, or presented in accordance with, IFRS. We believe that this non-IFRS measure facilitates comparisons of operating performance from period to period by eliminating potential impacts of certain items. We believe that this measure provides useful information to investors and others in understanding and evaluating our consolidated statements of profit or loss in the same manner as they help our management. However, our presentation of adjusted EBITDA (non-IFRS measure) may not be comparable to similar item measures presented by other companies. The use of this non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, our consolidated statements of profit or loss or financial condition as reported under IFRS.

We define adjusted EBITDA (non-IFRS measure) as (loss)/profit for the year adding back income tax expenses, financial cost, depreciation and amortization and share incentive expense, and deducting interest income. The share incentive expense is non-cash equity-settled employee related expense arising from grant of share incentive awards.

	Year Ended December 31,		
	2020	**2021**	**2022**
	(in RMB thousands, except for percentages)		
Loss for the year	(53,279)	(804,209)	(450,823)
Income tax expenses	–	–	25
Finance cost	22,775	32,659	188,925
Interest income	(2,523)	(9,211)	(96,071)
Depreciation and amortization	89,441	166,371	514,280
Share incentive expense	–	42,608	133,637
Adjusted EBITDA (non-IFRS measure)	**56,414**	**(571,782)**	**289,973**
Adjusted EBITDA margin (non-IFRS measure)	6.2%	(27.1)%	2.0%

We recorded negative adjusted EBITDA (non-IFRS measures) of RMB571.8 million in 2021, primarily attributable to our gross loss and operating expenses in 2021. We managed to record positive adjusted EBITDA (non-IFRS measures) of RMB290.0 million in 2022. Such change was primarily because we managed to turn gross loss into gross profit in 2022.

Our revenue increased significantly from RMB907.0 million in 2020 to RMB2,109.1 million in 2021, and further to RMB14,647.8 million in 2022. Such strong increase was primarily due to (i) the rapid development of both EV and ESS industry in PRC and globally, (ii) our continuous efforts to expand our customer base, (iii) the rapid expansion of our production capacity, and (iv) our adjustment of prices of both of our EV and ESS battery products in response to the rapid increase of raw material prices.

We recorded gross profit of RMB111.1 million in 2020 with a gross profit margin of 12.2%, while it turned into gross loss of RMB324.9 million in 2021 with a negative gross profit margin of 15.4%. Such change was primarily due to (i) a rapid increase in purchase price of raw materials in 2021, and (b) the fact that we were not able to timely adjust our selling prices of EV and ESS battery products in response to the rapid increase in purchase prices of raw materials. We managed to turn the gross loss in 2021 into gross profit of RMB1,088.3 million with a gross profit margin of 7.4% in 2022, primarily due to (i) our adjustment of prices of both of our EV and ESS battery products in response to the rapid increase of raw material prices, which was also in line with the prevailing market trends according to the F&S Report, (ii) our further improved production efficiency, and (iii) our improved product offering.

Our loss for the year increased from RMB53.3 million with negative net profit margin of 5.9% in 2020 to RMB804.2 million with negative net profit margin of 38.1%, primarily due to the facts that (i) our gross profit turned into gross loss of RMB324.9 million in 2021, and (ii) an increase in operating expenses attributable to the overall growth of our business. Our loss for the year decreased from RMB804.2 million in 2021 with negative net profit margin of 38.1% to RMB450.8 million in 2022 with negative net profit margin of 3.1%, primarily due to the facts that (i) we managed to turn our gross loss of RMB324.9 million in 2021 into gross profit of RMB1,088.3 million in 2021, and (ii) a decrease in operating expenses as a percentage of our total revenue in 2022 as compared to that in 2021.

See "Financial Information – Principal Components of Statement of Profit or Loss and Other Comprehensive Income – Gross Profit/(Loss) and Gross Profit Margin" and "– Period-to-Period Comparison of Results of Operations."

Revenue by Product – Usage

	Year Ended December 31,					
	2020		2021		2022	
	(in RMB thousands, except for percentages)					
EV battery products	673,192	74.2%	981,507	46.5%	4,642,801	31.7%
ESS battery products	182,105	20.1%	859,459	40.7%	8,400,597	57.4%
Other businesses						
Sales of wastes[(1)]	43,744	4.8%	251,167	11.9%	796,789	5.4%
R&D services[(2)]	6,299	0.7%	7,188	0.4%	22,308	0.2%
Others[(3)]	1,646	0.2%	9,823	0.5%	785,283	5.3%
Subtotal	51,689	5.7%	268,178	12.8%	1,604,380	10.9%
Total	**906,986**	**100.0%**	**2,109,144**	**100.0%**	**14,647,778**	**100.0%**

Notes:

(1) The sales of wastes mainly includes revenue from sales of used raw materials, such as the low concentration crude NMP. See "Business – Marketing, Sales and Customers – Our Customers." Starting in July 2022, instead of selling crude NMP, we consigned third-party companies to process the crude NMP, and thus no revenue was recognized from the sales of crude NMP from then on. Under the new arrangement, the processing fees of the crude NMP were included in inventories and recorded as our cost of sales when relevant battery products are sold. Therefore, as the revenue from sales of crude NMP as wastes constituted a substantial majority of the revenue from sales of wastes before adopting the new arrangement, we expect the revenue contribution from sales of wastes as a percentage of our total revenue to decrease significantly going forward.

(2) The revenue from provision of R&D services refers to charges on the customers for the upfront R&D services for the purpose of developing customized battery products.

(3) Others mainly include revenue from sales of battery components.

During the Track Record Period, revenue from sales of both EV and ESS battery products increased rapidly. In 2020, as some of our EV battery products passed the verification processes required by our EV manufacturer customers, we allocated our increased production capacity to satisfy the booming demand from such EV manufacturers, which resulted in a larger revenue contribution from our EV battery products as compared with that of our ESS battery products. In 2021, as part of our dual-focus strategy, we increased our sales to ESS manufacturer customers to pursue the growth potential, and thus the revenue contribution from sales of ESS battery products increased to a level similar to sales of EV battery products. In 2022, as a result of the continuous expansion of our production capacity and customer bases, the sales of both of our EV and ESS battery products increased significantly as compared with those in 2021. In particular, the sales of our ESS battery products surpassed the sales of our EV battery products in 2022, primarily due to (i) our further expansion of effective production capacity by 476.8% from 4.2GWh in 2021 to 24.5GWh in 2022, (ii) our allocation of more increased production capacity to our ESS battery products to meet the increasing downstream demands for our ESS battery products, and (iii) the strong demands for our ESS battery products for both household and commercial industrial applications. The revenue from others increased significantly from RMB9.8 million to RMB785.3 million in 2022, primarily due to a significant increase in sales of battery components since the second half of 2022. See "Financial Information – Period-to-Period Comparison of Results of Operations."

Our other businesses mainly include sales of wastes, sales of battery components and R&D services. We sold wastes such as low concentration crude NMP which was produced during the production of our lithium-ion battery products during the Track Record Period. We provide R&D services to our customers for product development, the scope of which primarily entails customizing our battery products to meet the specification requirement for relevant EV models.

Revenue by Product – Battery Type

	Year Ended December 31,					
	2020		2021		2022	
	(in RMB thousands, except for percentages)					
LFP battery products	705,148	77.7%	1,739,022	82.5%	12,621,477	86.2%
Ternary lithium battery products	150,149	16.6%	101,944	4.8%	421,921	2.9%
Other businesses	51,689	5.7%	268,178	12.7%	1,604,380	10.9%
Total	**906,986**	**100.0%**	**2,109,144**	**100.0%**	**14,647,778**	**100.0%**

During the Track Record Period, we generated a substantial majority of revenue from sales of LFP battery products. The exponential growth of revenue from our LFP battery products during the Track Record Period was mainly attributable to (i) our increased sales volume of ESS battery products, all of which were LFP battery products, and (ii) the preference of LFP battery products of our EV manufacturer customers due to the lower cost and higher battery safety of LFP battery products. See "Financial Information – Principal Components of Statement of Profit or Loss and Other Comprehensive Income – Revenue – Revenue by Product – Battery Type".

Revenue by Region

	Year Ended December 31,					
	2020		2021		2022	
	(in RMB thousands, except for percentages)					
PRC(1)	904,476	99.7%	2,091,700	99.2%	14,480,096	98.8%
Overseas(1)(2)	2,510	0.3%	17,444	0.8%	167,682	1.2%
Total	**906,986**	**100.0%**	**2,109,144**	**100.0%**	**14,647,778**	**100.0%**

Notes:

(1) Based on the location of our customer who signed the sales and purchase agreements with us. Some of our PRC customers are ESS system integrators that export their products integrating our battery products to overseas end users.

(2) Mainly include Indonesia, Australia, Morocco, Turkey, India and Belgium.

Sales Volume and Average Selling Price of Battery Products

	Year Ended December 31,					
	2020		2021		2022	
	Sales volume	**Average selling price**	**Sales volume**	**Average selling price**	**Sales volume**	**Average selling price**
	(GWh)	*(RMB/Wh)*	*(GWh)*	*(RMB/Wh)*	*(GWh)*	*(RMB/Wh)*
Product type – Usage						
EV battery products	1.24	0.54	1.87	0.52	6.13	0.76
ESS battery products	0.31	0.59	1.43	0.60	10.48	0.80
Total	**1.55**	**0.55**	**3.30**	**0.56**	**16.61**	**0.79**

	Year Ended December 31,					
	2020		2021		2022	
	Sales volume	Average selling price	Sales volume	Average selling price	Sales volume	Average selling price
	(GWh)	*(RMB/Wh)*	*(GWh)*	*(RMB/Wh)*	*(GWh)*	*(RMB/Wh)*
Product type – Battery type						
LFP battery products	1.35	0.52	3.14	0.55	16.13	0.78
Ternary lithium battery products	0.20	0.75	0.16	0.64	0.48	0.88
Total	**1.55**	**0.55**	**3.30**	**0.56**	**16.61**	**0.79**
Location of customer						
PRC	1.55	0.55	3.29	0.55	16.46	0.78
Overseas	0.00	0.99	0.01	1.08	0.15	1.08
Total	**1.55**	**0.55**	**3.30**	**0.56**	**16.61**	**0.79**

Cost of Sales

	Year Ended December 31,					
	2020		2021		2022	
	(in RMB thousands, except for percentages)					
Cost of Sales for Battery Products						
Raw material costs	537,106	67.5%	1,662,019	68.3%	10,835,792	79.9%
Manufacturing costs	139,676	17.6%	318,550	13.0%	830,035	6.1%
Direct labor costs	71,224	8.9%	174,614	7.2%	499,924	3.7%
Cost of Sales for Other Businesses						
Other costs	47,882	6.0%	278,841	11.5%	1,393,739	10.3%
Total	**795,888**	**100.0%**	**2,434,024**	**100.0%**	**13,559,490**	**100.0%**

Raw materials costs remained as the largest component of our cost of sales throughout the Track Record Period. Manufacturing costs and direct labor costs as a percentage of our total costs of sales decreased throughout the Track Record Period primarily due to (i) the increase in raw materials costs as a result of the increase in purchase price of raw materials, and (ii) the improvement of production efficiency and economies of scale. Our other costs increased in absolute terms during the Track Record Period, primarily due to (i) our increased sales of wastes which was in line with our increased production volume of battery products, and (ii) a significant increase in sales of battery components in the second half of 2022. See "Financial Information – Principal Components of Statement of Profit or Loss and Other Comprehensive Income – Cost of Sales", and "Financial Information – Period-to-Period Comparison of Results of Operations."

Gross Profit/(Loss) and Gross Profit Margin by Product – Usage

	Year Ended December 31,					
	2020		2021		2022	
	Gross Profit/(loss)	Gross Profit Margin	Gross Profit/(loss)	Gross Profit Margin	Gross Profit/(loss)	Gross Profit Margin
	(in RMB thousands, except for percentages)					
EV battery products	130,434	19.4%	(103,289)	(10.5)%	146,207	3.1%
ESS battery products	(23,143)	(12.7)%	(210,928)	(24.5)%	731,441	8.7%
Other businesses	3,807	7.4%	(10,663)	(4.0)%	210,640	13.1%
Total	**111,098**	**12.2%**	**(324,880)**	**(15.4)%**	**1,088,288**	**7.4%**

During the Track Record Period, we recorded gross profit for our EV battery products in 2020 and 2022. We managed to turn the gross loss of our ESS battery products into a gross profit in 2022, primarily attributable to (i) our adjustment of prices of our ESS battery products in response to the rapid increase of raw material prices, which was also in line with the prevailing market trends according to the F&S Report, (ii) our further improved production efficiency, and (iii) our improved product offering. See "Financial Information – Principal Components of Statement of Profit or Loss and Other Comprehensive Income – Gross Profit/(Loss) and Gross Profit Margin – Gross Profit/(Loss) and Gross Profit Margin by Product – Usage."

Gross Profit/(Loss) and Gross Profit Margin by Product – Battery Type

	Year Ended December 31,					
	2020		2021		2022	
	Gross Profit/(loss)	Gross Profit Margin	Gross Profit/(loss)	Gross Profit Margin	Gross Profit/(loss)	Gross Profit Margin
	(in RMB thousands, except for percentages)					
LFP battery product	96,286	13.7%	(280,103)	(16.1)%	837,446	6.6%
Ternary lithium battery products	11,005	7.3%	(34,114)	(33.5)%	40,202	9.5%
Other businesses	3,807	7.4%	(10,663)	(4.0)%	210,640	13.1%
Total	**111,098**	**12.2%**	**(324,880)**	**(15.4)%**	**1,088,288**	**7.4%**

During the Track Record Period, the gross profit or loss from the sales of our LFP battery products was primarily affected by (i) the fluctuation in purchase prices of raw materials, (ii) the release of the benefit of economies of scale as the result of our expansion of production capacity, (iii) the prevailing industry trend, and (iv) product mix, particularly in different battery capacity. The gross profit or loss from the sales of our ternary lithium battery products experienced stronger fluctuation during the Track Record Period, primarily due to (i) the relatively small production volume of our ternary lithium battery products as a result of the then limited production capacity and we were yet to form economies of scale, and (ii) the strong fluctuation in purchase prices of cathode materials of ternary lithium battery products. See "Financial Information – Principal Components of Statement of Profit or Loss and Other Comprehensive Income – Gross Profit/(Loss) and Gross Profit Margin – Gross Profit/(Loss) and Gross Profit Margin by Product – Battery Type."

Gross Profit/(Loss) and Gross Profit Margin by Region

	Year Ended December 31,					
	2020		2021		2022	
	Gross Profit/(loss)	Gross Profit Margin	Gross Profit/(loss)	Gross Profit Margin	Gross Profit/(loss)	Gross Profit Margin
	(in RMB thousands, except for percentages)					
PRC	109,805	12.1%	(333,607)	(15.9)%	1,071,086	7.4%
Overseas	1,293	51.5%	8,727	50.0%	17,202	10.3%
Total	**111,098**	**12.2%**	**(324,880)**	**(15.4%)**	**1,088,288**	**7.4%**

During the Track Record Period, sales to overseas customers were more profitable than sales to domestic customers primarily because the products we sold to overseas were mainly customized ESS battery packs that commanded higher selling prices and resulted in a higher gross profit margin. In 2022, the gross profit margin for the sales to overseas decreased from 51.5% in 2020 and 50.0% in 2021 to 10.3% in 2022, primarily because (i) the competitive prices we offered to our overseas customers in 2022 due to the increasing competition in overseas markets and in consideration of obtaining more market share, and (ii) the rapid increase in raw material prices in 2022. See "Financial Information – Principal Components of Statement of Profit or Loss and Other Comprehensive Income – Gross Profit/(Loss) and Gross Profit Margin – Gross Profit/(Loss) and Gross Profit Margin by Region."

Business Sustainability

We were established in 2017. Since our inception, we have achieved significant growth. Our total revenue increased significantly from RMB907.0 million in 2020 to RMB2,109.1 million in 2021, and further to RMB14,647.8 million in 2022, representing a CAGR of 301.9%. We sold 1.55GWh, 3.30GWh and 16.61GWh of our battery products in 2020, 2021 and 2022, respectively, representing a CAGR of 227.4%.

Despite our growth in revenue, we are not yet profitable during the Track Record Period. We have incurred gross losses and net losses during the Track Record Period. In 2020, 2021 and 2022, we recorded gross profit of RMB111.1 million, and gross losses of RMB324.9 million and gross profit of RMB1,088.3 million, respectively. During the same periods, we recorded net losses of RMB53.3 million, RMB804.2 million and RMB450.8 million, respectively. We recorded a net loss in 2022, primarily as our ESS battery products were sold at a loss in the first half of 2022, which offset part of the gross profit from the sale of both EV and ESS battery products in the second half of 2022, as well as the various operating expenses we incurred. See "Business – Business Sustainability."

Our losses during the Track Record Period were primarily attributable to (i) low utilization rate resulting from production capacity expansion, (ii) raw material prices fluctuation, (iii) product mix and pricing strategy and (iv) operational expenditure.

We believe that we will be able to become profitable through (i) improving production efficiency, (ii) strengthening resilience to raw material cost fluctuations, (iii) increasing sales revenue and (iv) forming economies of scale.

See "Business – Business Sustainability" for further details.

Key Regulatory Developments and Industry Updates

Considering the automobile industry's significant contribution to global carbon emissions, the significant increase in global EV sales in 2022 was a success of the global decarbonization process. Furthermore, international conferences such as the COP27 2022, the UN climate change conference suggest that the EV market growth is not likely to be a one-off phenomenon. The continuation of global EV adoption in the future is expected to positively affect the Group's business operations and outlook.

In terms of EV market in China, the PRC government published the *Announcement on the Continuation of the Vehicle Purchase Tax Exemption Policy for New Energy Vehicles* on September 2022, which means the tax relief on EV purchases will continue to be in effect, driving the growth of the EV market, and in turn the outlook of the Group. On the other hand, the termination of EV subsidy on December 31, 2022 is expected to have an adverse effect on the market outlook. However, the impact from the termination of EV subsidy is not expected to be substantial, considering (i) the high growth of EV market in China during the subsidy decline period over the last two years with total sales volume of EVs of approximately 6.6 million in 2021 increasing to 11.0 million in 2022, (ii) the maturity of the overall EV markets in China with more advanced manufacturing technology, expansion of production scale, intensified competition among EV manufacturers which could lead to the overall decrease in costs of EVs to mitigate the impact of termination of subsidy, (iii) the high consumer demand, and (iv) the overall supportive policies in favor of the development of EVs in China despite the decline and termination of subsidies.

In terms of ESS market, authorities in China published policies such as *Guidance on Promoting the Development of Energy Electronics Industry* and *The Implementation Plan on Promoting the High-Quality Development of New Energy in the New Era* which encouraged the development of clean energy projects, ESS batteries and relevant technologies. Since 2016, the U.S. government have extended the investment tax credit for both grid-scale and residential ESS. In May 2022, the European Commission presented the REPowerEU Plan to deal with the global energy market disruption caused by the Russian- Ukrainian War. It also recognized that energy storage played a key role in ensuring security of supply and supporting renewables integration, reducing the need for pollutant gas power plants. Recently the energy crisis caused by the Russian-Ukrainian War has significantly raised the electricity prices in Europe and has also enhanced the market demand for household energy storage in Europe. Driven by the favorable policy environment, the global ESS battery market is emerging with vast growth potential. Such favorable policies are expected to bring more opportunities to the ESS market and will hence have a positive impact on our business outlook and financial performance.

In terms of raw materials, the military conflict between Ukraine and Russia had a negative impact on the purchase price of nickel. However, such impact had limited effect on us as the majority of our battery products are LFP batteries which do not use nickel as its raw materials. During the Track Record Period and up to the Latest Practicable Date, we have not procured any nickel or other raw materials directly or, to the best knowledge of our Directors, indirectly procured nickel or other raw materials from Russia.

See "Industry Overview" for further details.

FINANCIAL POSITION

Set forth below is a summary of our historical statement of financial position.

	As of December 31,		
	2020	**2021**	**2022**
	(in RMB thousands)		
Non-current assets	1,500,213	5,150,963	10,002,704
Current assets	1,154,994	3,873,676	16,438,699
Total assets	2,655,207	9,024,639	26,441,403
Current liabilities	2,122,156	6,430,044	10,399,482
Net current assets/(liabilities)	(967,162)	(2,556,368)	6,039,217
Non-current liabilities	203,938	351,715	4,590,348
Net assets	329,113	2,242,880	11,451,573
Non-controlling interests	100,761	213,889	702,626

Our net current liabilities increased from RMB967.2 million as of December 31, 2020, to RMB2,556.4 million as of December 31, 2021 primarily due to (i) an increase in trade and bills payables mainly attributable to our increased procurement of raw materials in line with our increased production capacity, and (ii) an increase in amount due to related parties mainly including the loans and related interests due to related parties mainly used for our expansion plans. Our net current liabilities of RMB2,556.4 million as of December 31, 2021 turned into net current assets of RMB6,039.2 million as of December 31, 2022, primarily due to (i) an increase in net current asset, including (a) an increase in inventories, (b) an increase in trade and bills receivables, (c) an increase in due from related parties, (d) an increase in restricted cash, and (e) an increase in cash and cash equivalent mainly as a result of the [**REDACTED**] Investment; and (ii) a decrease in amounts due to related parties. See "Financial Information – Liquidity and Capital Resources – Net Current Assets/Liabilities" and "– Indebtedness – Loans and Related Interests Due to Related Parties."

Our net assets increased from RMB329.1 million as of December 31, 2020 to RMB2,242.9 million as of December 31, 2021, primarily due to (i) the contribution from shareholders of RMB2,615.0 million, and (ii) the contribution from non-controlling interests of RMB243.9 million, which was partially offset by the loss for the year of RMB804.2 million. Our net assets increased from RMB2,242.9 million as of December 31, 2021 to RMB11,451.6 million as of December 31, 2022, primarily due to (i) the contribution from shareholders of RMB8,940.8 million, and (ii) the contribution from non-controlling interests of RMB588.0 million, which was partially offset by the loss for the year of RMB450.8 million. See "Consolidated Statements of Change of Equity" in Accountants' Report in Appendix I to this document.

CASH FLOWS

The table below sets forth our cash flows for the periods indicated.

	Year Ended December 31,		
	2020	**2021**	**2022**
	(in RMB thousands)		
Net cash flows generated from/(used in) operating activities	176,548	(1,957,294)	(2,230,473)
Net cash flows used in investing activities	(689,374)	(2,920,950)	(3,981,731)
Net cash generated from financing activities	631,197	5,307,490	10,531,636
Net increase in cash and cash equivalents	118,371	429,246	4,319,432
Net foreign exchange difference	(2,005)	4,831	1,123
Cash and cash equivalents at beginning of the year	30,064	146,430	580,507
Cash and cash equivalents at end of the year	146,430	580,507	4,901,062

Our net operating cash outflows in 2021 and 2022 were primarily attributable to our net losses for the respective periods as well as significant increases in various working capital balances as our scale of operations grew, including trade and bills receivables, inventory and restricted cash, partially offset by significant increases in trade and bill payables.

For a more detailed cash flow analysis, please see "Financial Information – Cash Flows."

KEY FINANCIAL RATIOS

	Year Ended/As of December 31,		
	2020	2021	2022
Return on assets[(1)]	(2.0)%	(8.9)%	(1.7)%
Return on equity[(2)]	(16.2)%	(35.9)%	(3.9)%
Gearing ratio[(3)]	293.0%	142.5%	40.9%
Current ratio[(4)]	0.5	0.6	1.6
Quick ratio[(5)]	0.4	0.5	1.3

Notes:

(1) Return on assets is calculated based on the total profit/(loss) for the relevant year divided by the ending balance of total assets and multiplied by 100%.

(2) Return on equity is calculated based on the total profit/(loss) for the relevant year divided by the ending balance of total equity and multiplied by 100%.

(3) Gearing ratio is calculated based on the interest-bearing bank borrowings, lease liabilities and loans and related interests due to related parties divided by the ending balance of total equity and multiplied by 100%.

(4) Current ratio is calculated based on the total current assets divided by the total current liabilities as at the end of the respective year.

(5) Quick ratio is calculated as total current assets less inventories divided by the total current liabilities as at the end of the respective year.

Our gearing ratio decreased from 293.0% as of December 31, 2020 to 142.5% as of December 31, 2021, and further decreased to 40.9% as of December 31, 2022. See "Financial Information – Key Financial Ratios – Gearing Ratio."

Our current ratio increased from 0.5 as of December 31, 2020 to 0.6 as of December 31, 2021, which further increased to 1.6 as of December 31, 2022. See "Financial Information – Key Financial Ratios – Current Ratio."

Our quick ratio increased from 0.4 as of December 31, 2020 to 0.5 as of December 31, 2021, and further to 1.3 as of December 31, 2022. See "Financial Information – Key Financial Ratios – Quick Ratio."

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, Yongqing Technology was interested in approximately 62.6% of the total issued Shares, comprising approximately 50.4% direct interest and approximately 12.2% indirect interest through Wenzhou Jingli, whose general partner is Ruitu Energy, a wholly-owned subsidiary of Yongqing Technology. Yongqing Technology is owned by Tsingshan Group as to 51% of its equity interests, and Tsingshan Group is ultimately controlled by Mr. Xiang directly and indirectly through Shanghai Decent and Zhejiang Tsingshan as to 57.5% of its equity interests. See "History and Development" for the corporate structure of the Group.

Immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), Yongqing Technology will hold approximately [**REDACTED**]% of the total issued Shares, comprising approximately [**REDACTED**]% direct interest and approximately [**REDACTED**]% indirect interest through Wenzhou Jingli. Mr. Xiang, through Tsingshan Group, which is a 51% shareholder of Yongqing Technology, will control the exercise of the approximately [**REDACTED**]% voting rights in the Company. Accordingly, Mr. Xiang, Zhejiang Tsingshan, Shanghai Decent, Tsingshan Group, Yongqing Technology, Ruitu Energy and Wenzhou Jingli will continue to be a group of Controlling Shareholders immediately upon the [**REDACTED**].

For more details, please refer to "Relationship with the Controlling Shareholders" in this document.

CONTINUING CONNECTED TRANSACTIONS

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

OUR [REDACTED] INVESTORS

In order to obtain the funds required for our Company's development and continuously optimize the corporate governance structure, our Company has carried out a series of equity financing since its establishment to introduce new Shareholders and [**REDACTED**] Investors to our Group. Please see "History and Development – [**REDACTED**] Investments" of this document for details. Our [**REDACTED**] Investors include state-owned enterprises, our upstream and downstream industrial chain participants and professional investment companies or professional funds. For further details of the background of our [**REDACTED**] Investors, please see "History and Development – [**REDACTED**] Investments – Background of the [**REDACTED**] Investors."

USE OF [REDACTED]

We estimate that we will receive net [**REDACTED**] from the [**REDACTED**] of approximately [**REDACTED**], after deducting [**REDACTED**], fees and estimated expenses payable by us in connection with the [**REDACTED**], assuming an [**REDACTED**] of [**REDACTED**] per Share, being the mid-point of the indicative [**REDACTED**] range stated in this document, and assuming no exercise of the [**REDACTED**].

We currently intend to apply these net [**REDACTED**] for the following intended purposes in the amounts set forth below:

Amount	Approximate % of total net [REDACTED]	Intended use
(in HK$ millions)		
[**REDACTED**]	[**REDACTED**]	Expansion of our production capacity. In particular, the construction of production facilities in Wenzhou, Foshan and Chongqing
[**REDACTED**]	[**REDACTED**]	R&D of core technologies for advanced lithium-ion batteries, advanced materials and advanced manufacturing processes
[**REDACTED**]	[**REDACTED**]	Working capital and general corporate purpose
	100.0%	

For a more detailed use of [**REDACTED**], please see "Future Plans and Use of [**REDACTED**]."

[REDACTED] EXPENSES

[**REDACTED**] expenses represent professional fees, [**REDACTED**] and fees incurred in connection with the [**REDACTED**] and the [**REDACTED**]. Our [**REDACTED**] expenses are estimated to be approximately [**REDACTED**] (including [**REDACTED**]) accounted for [**REDACTED**] of the gross [**REDACTED**] of the [**REDACTED**], assuming that an [**REDACTED**] of [**REDACTED**] per Share (being the mid-point of the [**REDACTED**] range stated in this document) and the [**REDACTED**] is not exercised, among which, approximately [**REDACTED**] is directly attributable to the issuance of Shares and will be charged to equity upon completion of the [**REDACTED**], and approximately [**REDACTED**] will be charged to our consolidated statement of comprehensive income. The [**REDACTED**] expenses we incurred in the Track Record Period and expect to incur would consist of approximately [**REDACTED**] expenses and fees (including [**REDACTED**], SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy), approximately [**REDACTED**] expenses and fees including fees for the Joint Sponsors, legal advisors and reporting accountant and approximately [**REDACTED**] other [**REDACTED**] fees and expenses. During the Track Record Period, we incurred [**REDACTED**] of [**REDACTED**] expenses, among which, [**REDACTED**] was included in deposits and other receivables and will be subsequently charged to our equity upon completion of the [**REDACTED**] and [**REDACTED**] was charged to our consolidated statement of comprehensive income.

The [**REDACTED**] expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate. Our Directors do not expect such [**REDACTED**] expenses to have a material adverse impact on our results of operation for the year ending December 31, 2023.

[REDACTED]

DIVIDEND

Since inception, we have not declared or paid any dividends on our shares. We do not have any present plan to declare or pay any dividends on our Shares in the foreseeable future.

Any future plan to pay dividends will be made at the discretion of our Board of Directors subject to approval of our Shareholders. Any declaration as well as the amount of such declaration and payment will be subject to our Articles of Association and the relevant laws. Even if we decide to pay dividends, the form, frequency and amount may be based on a number of factors, including our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the Board of Directors may deem relevant.

THE IMPACT OF COVID-19

The outbreak of COVID-19 pandemic has materially and adversely affected the global economy since the first quarter of 2020. In response, the PRC government and the governments of other countries have implemented numerous anti-pandemic measures, including travel bans and restrictions, quarantines, remote work arrangement and shutdowns. Particularly, the resurgence of COVID-19 pandemic due to the transmitted Omicron in the PRC in 2022 resulted in extended duration of aforementioned measures. However, after the new measures issued by the PRC government in late 2022 which aimed to ease the restrictive anti-pandemic measures taken before, substantially all of the cities in the PRC eased or lifted the restrictive measures in January 2023.

During the Track Record Period and up to the Latest Practicable Date, we did not experience temporary closure or shutdown of our offices or production facilities due to the COVID-19 pandemic. However, as a result of those restrictive and anti-pandemic measures implemented before in places where our operation, production and R&D located, the mobility of some of our employees was affected and some of our employees had to work remotely during their quarantine. In particular, during the outbreak of COVID-19 in Shanghai in the first half of 2022, the employees in our R&D department in Shanghai were required to work from home, which resulted in some delay of our R&D processes in certain projects. Such delay only had limited impact on our overall R&D progress, as we managed to catch up the progress very soon after our R&D employees resumed their normal R&D activities. In response, we implemented various precautionary measures and flexibly adjusted work arrangement of our employees in line with government guidelines and regulations, which ensured that we could maintain sufficient number of personnel at our office, production facilities and R&D centers to continue our daily operation, production and R&D activities. We have and will continue to closely track the health and wellness status of our employees by routinely check their temperature before they could enter into our offices and production facilities while the COVID-19 related restrictive and anti-pandemic measures are still in place. Moreover, the construction of ancillary infrastructures and site visits by our customers in some of our production facilities were affected as the result of COVID-19 pandemic prevention and control measures. However, as the new measures issued by the PRC government in late 2022, the construction and site visits in our production facilities that were affected before have already resumed.

As our raw materials suppliers scattered over the country, the production activities of some of them were affected, which in turn resulted in the delay or failure to deliver raw materials we ordered to us. However, such delay or failure to deliver raw materials to us did not materially affect our operation or production activities, because we actively contacted with our suppliers and strategically procured key raw materials in advance according to our production plan, and thus our inventories were sufficient to support our normal production activities to fulfill orders from our clients when abovementioned delay or failure to deliver raw materials occurred. During the Track Record Period and up to the Latest Practicable Date, our production activities have not encountered any material disruption, nor has our product delivery been materially affected.

Accordingly, our Directors believe that the outbreak of COVID-19 has not had, and will not have, any material adverse impact on the Group's business, financial condition or results of operations. However, there is no assurance that our operation or production activities will not be affected in the future due to the COVID-19 pandemic and relevant restrictive measures. See "Risk Factors – Risks Relating to Our Industry and Business – We face risks related to health epidemics, including the COVID-19 pandemic, which could have a material adverse effect on our business and results of operations." See "Financial Information – Significant Factors Affecting Our Results of Operations – The Impact of COVID-19."

RECENT DEVELOPMENTS

We continued to expand our production capacity. In particular,

- In February 2023, we entered into a strategic agreement with local government in Fuling District, Chongqing, to establish a production facility for battery cells and battery packs with a planned annual production capacity of 30GWh of battery cells. The implementation of such project is subject to further feasibility studies and relevant regulatory approval. Chongqing is of strategic importance to us because it has abundant energy resources, favorable government policies and vast potential for EV manufacturing and ESS projects.

- In March 2023, we entered into a strategic agreement with local government in Jiashan, Zhejiang, in relation to the construction of a production facility as phase III of Jiashan facility for lithium-ion battery products with a planned annual production capacity of 45GWh. The implementation of such project is subject to further feasibility studies and relevant regulatory approval. The construction of phase III of Jiashan facility will further expand our production capacity in Jiashan and enhance our presence.

In addition, as of the Latest Practicable Date, we have an R&D facility under construction in Jiashan with a planned annual production capacity of 2GWh. We have obtained land use rights for such facility in April 2023.

NO MATERIAL ADVERSE CHANGE

Our Directors confirmed that, as of the date of this document, there has been no material adverse change in our financial or trading position or prospects since December 31, 2022, and there has been no event since December 31, 2022 that would materially affect the information as set out in the Accountants' Report in Appendix I to this document.

SUMMARY OF MAJOR RISK FACTORS

Our major risk factors include:

- We have a limited operating history, making it difficult to evaluate our business prospects, and we may not be successful in expanding our operations or managing our growth.

- We recorded net losses in the past, and we have not been profitable yet.

- Our plans to achieve profitability may not develop as expected, which may affect our business sustainability.

- We may not be able to derive the desired benefits from our R&D efforts, which may negatively affect our competitiveness and profitability.

- We may not be able to increase our production capacity as planned, and even if our production expansion projects proceed as planned, we may not be able to increase our production output in a timely manner or at all as envisaged.

- We are exposed to price fluctuations of raw materials.

- We purchase certain key raw materials and components from third parties, and we may not be able to secure our supply of key raw materials in a stable and timely manner.

- We may be required to purchase certain amounts of raw materials under the long-term off-take agreements entered into with some of our raw material suppliers, which may exceed our production needs.

- We face competition in our business.

- We may fail to recover our trade and bills receivables in a timely manner, which may affect our financial condition and results of operations.

In this document, unless the context otherwise requires, the following terms and expressions have the meanings set forth below.

"2021 Share Incentive Scheme of the Company"	The share incentive scheme adopted by the Company in August 2021, a summary of which is set forth in "Appendix VI – Statutory and General Information – The Share Incentive Schemes" in this document
"2022 Share Incentive Scheme of the Company"	The share incentive scheme adopted by the Company in March 2022, a summary of which is set forth in "Appendix VI – Statutory and General Information – The Share incentive Schemes" in this document
"3W Global I"	3W Global I LTD, a limited liability company established under the laws of the Cayman Islands on July 1, 2021, which is a [**REDACTED**] Investor of the Company
"Accountants' Report"	the accountants' report of our Company, the text of which is set out in Appendix I to this document
"AFRC"	Accounting and Financial Reporting Council of Hong Kong
"Articles of Association" or "Articles"	the articles of association of the Company, as amended, which shall become effective on the [**REDACTED**] and a summary of which is set out in Appendix V to this document
"BatteroTech"	one of the brands under which our products are sold
"BatteroTech Jiashan"	BatteroTech Co., Ltd (蘭鈞新能源科技有限公司), a limited liability company established under the laws of the PRC on December 9, 2020, which is a subsidiary of BatteroTech Shanghai
"BatteroTech Jiaxing"	Jiaxing BatteroTech Corporation Limited (嘉興蘭鈞科技有限公司), a limited liability company established under the laws of the PRC on April 11, 2023, which is a subsidiary of BatteroTech Jiashan
"BatteroTech Shanghai"	BatteroTech Corporation Limited (上海蘭鈞新能源科技有限公司), a limited liability company established under the laws of the PRC on July 23, 2020, which is a subsidiary of the Company

"BatteroTech Wuhan"	Wuhan BatteroTech Corporation Limited (武漢蘭鈞新能源科技有限公司), a limited liability company established under the laws of the PRC on August 20, 2019, which is a subsidiary of BatteroTech Shanghai
"Board"	the board of Directors
"Business Day" or "business day"	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"CAGR"	compound annual growth rate

[**REDACTED**]

[**REDACTED**]

"China" or "PRC"	the People's Republic of China, excluding, for the purpose of this document, Hong Kong, Macau and Taiwan
"Chongqing REPT BATTERO"	Chongqing REPT BATTERO Energy Co., Ltd. (重慶瑞浦蘭鈞能源有限公司), a limited liability company established under the laws of the PRC on March 1, 2023, which is a subsidiary of the Company
"Chuangyi Chengtun"	Xiamen Chuangyi Chengtun New Energy Industry Investment Partnership (Limited Partnership) (廈門創益盛屯新能源產業投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on April 30, 2021, which is a [**REDACTED**] Investor of the Company
"CITICS Investment"	CITIC Securities Investment Co., Ltd. (中信証券投資有限公司) a limited liability company established under the laws of the PRC on April 1, 2012, which is a [**REDACTED**] Investor of the Company
"CLOU Intelligent Energy"	Shenzhen CLOU Intelligent Energy Co., Ltd. (深圳市科陸智慧能源有限公司), a limited liability company established under the laws of the PRC on May 12, 2017, which is one of the customers of the Company
"CNGR"	CNGR Advanced Material Co., Ltd. (中偉新材料股份有限公司), a joint stock limited liability company established under the laws of the PRC on September 15, 2014, which is a [**REDACTED**] Investor of the Company
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"Companies (Winding up and Miscellaneous Provisions) Ordinance"	the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company"	REPT BATTERO Energy Co., Ltd. (瑞浦蘭鈞能源股份有限公司), which was incorporated in the PRC on October 25, 2017 and converted into a joint stock limited liability company on April 7, 2022
"Company Law" or "PRC Company Law"	Company Law of the People's Republic of China (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time
"Controlling Shareholder(s)"	has the meaning ascribed under the Listing Rules and in this document, refers to Mr. Xiang, Zhejiang Tsingshan, Shanghai Decent, Tsingshan Group, Yongqing Technology, Ruitu Energy and Wenzhou Jingli
"CRRC"	CRRC Electric VEHICLE Co., Ltd. (中車時代電動汽車有限公司), a limited liability company established under the laws of the PRC on July 23, 2007, which is one of the customers of the Company
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"DFPV (Aeolus)"	Dongfeng Motor Corporation Passenger Vehicle Company (東風汽車集團股份有限公司乘用車公司), a branch owned by the Dongfeng Motor Group Co., Ltd. and incorporated in the PRC on June 15, 2009, which is one of the customers of the Company
"Director(s)"	director(s) of the Company
"DNPV (Venucia)"	Dongfeng Nissan Passenger Vehicle Company (東風汽車有限公司東風日產乘用車公司), a branch owned by the DONG FENG MOTOR Company Ltd. and incorporated in the PRC on June 9, 2003, which is one of the customers of the Company
"Domestic Shares"	ordinary Shares in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi

"EIT Law"	Enterprise Income Tax Law of the People's Republic of China (中華人民共和國企業所得稅法), as amended, supplemented or otherwise modified from time to time
"EP Equipment"	Zhejiang E-P Equipment Co., Ltd. (浙江中力機械股份有限公司), a limited liability company established under the laws of the PRC on September 20, 2007, which is one of the customers of the Company
"Exchange Participant(s)"	a person: (a) who, in accordance with the Hong Kong Listing Rules, may trade on or through the Hong Kong Stock Exchange; and (b) whose name is entered in a list, register or roll kept by the Hong Kong Stock Exchange as a person who may trade on or through the Hong Kong Stock Exchange
"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the Government of Hong Kong
"Farizon Auto"	Zhejiang Geely Farizon New Energy Commercial Vehicle Group Co., Ltd. (浙江吉利遠程新能源商用車集團有限公司), a limited liability company established under the laws of the PRC on February 1, 2016, which is one of the customers of the Company
"FAW"	FAW Car Co., Ltd. (一汽奔騰轎車有限公司), a limited liability company established under the laws of the PRC on June 28, 2019, which is one of the customers of the Company
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc.
"F&S Report"	the industry report we commissioned Frost & Sullivan (Beijing) Inc. to prepare on the lithium-ion battery market
"Foshan Manufacturing Transformation & Development Fund"	Guangdong (Foshan) Manufacturing Transformation and Development Fund (Limited Partnership) (廣東(佛山)製造業轉型發展基金(有限合夥)), a limited partnership established under the laws of the PRC on August 31, 2021, which is an investment entity of SCGC, and a [**REDACTED**] Investor of the Company

"GEM"	GEM (Wuhan) New Energy Vehicle Service Co., Ltd. (格林美(武漢)新能源汽車服務有限公司), a limited liability company established under the laws of the PRC on November 11, 2014, with which the Company entered into strategic cooperation agreements in November 2021 and July 2022 to promote the safe recycling for EV batteries for the safe recycling, storage and green disposal of lithium-ion batteries, and to provide quality solutions in relation to resources
"General Rules of CCASS"	General Rules of CCASS published by the Stock Exchange and as amended from time to time

[**REDACTED**]

"GoodWe"	GoodWe Technologies Co., Ltd. (固德威技術股份有限公司), a limited liability company established under the laws of the PRC on November 5, 2010, which is one of the customers of the Company

[**REDACTED**]

"Group", "our Group", "the Group", "we" or "us"	our Company and its subsidiaries (or our Company and any one or more of its subsidiaries, as the content may require), or where the context so requires, in respect of the periods before our Company became the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
"Growatt"	Shenzhen GROWATT New ENERGY Co., Ltd. (深圳古瑞瓦特新能源有限公司), a limited liability company established under the laws of the PRC on March 3, 2011, which is one of the customers of the Company
"Guangdong Guangxin Equity Investment"	Guangdong Guangxin Equity Investment Fund Partnership (Limited Partnership) (廣東廣新股權投資基金合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on December 10, 2021, which is a [**REDACTED**] Investor of the Company

"Guangdong Guangxin Private Equity"	Guangdong Guangxin Private Equity Investment Partnership (Limited Partnership) (廣東廣新私募股權投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on April 14, 2022, which is a [**REDACTED**] Investor of the Company
"Guangdong Jiarui"	Guangdong Dezaihou Jiarui Equity Investment Partnership (Limited Partnership) (廣東德載厚嘉瑞股權投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on November 12, 2021, which is a [**REDACTED**] Investor of the Company
"Guangdong REPT BATTERO"	Guangdong REPT BATTERO Energy Co., Ltd. (廣東瑞浦蘭鈞能源有限公司), a limited liability company established under the laws of the PRC on July 27, 2021, which is a subsidiary of the Company
"H Share(s)"	overseas [**REDACTED**] foreign Shares in the share capital of the Company with a nominal value of RMB1.00 each, which are to be [**REDACTED**] HK dollars and are to be [**REDACTED**] on the Hong Kong Stock Exchange

[**REDACTED**]

"Hangzhou Longqi"	Hangzhou Longqi Tianji Equity Investment Fund Partnership (Limited Partnership) (杭州隆啟天際股權投資基金合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on August 6, 2021, which is a [**REDACTED**] Investor of the Company
"HK$" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC

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

[**REDACTED**]

"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited

[**REDACTED**]

"HOPU Orient"	Tianjin HOPU Orient Equity Investment Partnership (Limited Partnership) (天津厚樸東方股權投資合夥企業(有限合夥)) a limited partnership established under the laws of the PRC on August 30, 2022, which is a [**REDACTED**] Investor of the Company

"Hozon Auto"	Hozon New Energy Automobile Co., Ltd. (浙江合眾新能源汽車有限公司), a limited liability company established under the laws of the PRC on October 16, 2014, which is one of the customers of the Company
"Huzhou Lianjie"	Huzhou Gaowu Jianling Lianjie Equity Investment Fund Partnership (Limited Partnership) (湖州高屋建瓴聯結股權投資基金合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on November 18, 2020, which is a [**REDACTED**] Investor of the Company
"Hycan"	Hycan Automobile Technology Co., Ltd. (合創汽車科技有限公司), a limited liability company established under the laws of the PRC on April 10, 2018, which is one of the customers of the Company
"IFRS(s)"	International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board
"independent third party(ies)"	party(ies) who are not connected persons of the Company as far as our Directors are aware after having made all reasonable enquiries

[**REDACTED**]

DEFINITIONS

[**REDACTED**]

"Jiaxing Aohao"	Jiaxing Aohao Equity Investment Partnership (Limited Partnership) (嘉興傲昊股權投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on April 9, 2021, which is a [**REDACTED**] Investor of the Company
"Jiaxing Rongpu"	Jiaxing Rongpu Investment Partnership (Limited Partnership) (嘉興容浦投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on July 8, 2022, which is a [**REDACTED**] Investor of the Company
"Jiaxing SAIC"	Jiaxing SAIC Qirui Equity Investment Partnership (Limited Partnership) (嘉興上汽頎瑞股權投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on January 17, 2022, which is a [**REDACTED**] Investor of the Company
"Jiaxing Yuzhi"	Jiaxing Yuzhi Investment Partnership (Limited Partnership) (嘉興禹致投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on October 12, 2021, which is a [**REDACTED**] Investor of the Company
"Jinli No. 1"	Wenzhou Jinli No. 1 Enterprise Management Partnership (Limited Partnership) (溫州錦鋰壹號企業管理合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on August 8, 2022, which is an employee shareholding platform of the Company

"Jinli No. 2"	Wenzhou Jinli No. 2 Information Technology Service Partnership (Limited Partnership) (溫州錦鯉貳號信息技術服務合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on August 8, 2022, which is an employee shareholding platform of the Company
"Jinli No. 3"	Wenzhou Jinli No. 3 Market Management Partnership (Limited Partnership) (溫州錦鯉叁號市場管理合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on August 8, 2022, which is an employee shareholding platform of the Company
"Jinli No. 4"	Wenzhou Jinli No. 4 Drone Technology Partnership (Limited Partnership) (溫州錦鯉肆號無人機技術合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on August 9, 2022, which is an employee shareholding platform of the Company
"Jinli No. 5"	Wenzhou Jinli No. 5 Business Service Partnership (Limited Partnership) (溫州錦鯉伍號商業服務合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on August 9, 2022, which is an employee shareholding platform of the Company
"Jinli No. 6"	Wenzhou Jinli No. 6 Project Management Consultation Partnership (Limited Partnership) (溫州錦鯉陸號項目管理諮詢合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on August 9, 2022, which is an employee shareholding platform of the Company

[**REDACTED**]

"Joint Sponsors"	Morgan Stanley Asia Limited and CITIC Securities (Hong Kong) Limited
"Latest Practicable Date"	June 21, 2023, being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication
"Leapmotor"	Leapmotor (Jinhua) New Energy Vehicle Parts Technology Co., Ltd. (金華零跑新能源汽車零部件技術有限公司), a limited liability company established under the laws of the PRC on August 5, 2021, which is one of the customers of the Company
"Lishui Xiangxi"	Lishui Xiangxi Equity Investment Partnership (Limited Partnership) (麗水相惜股權投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on August 31, 2022, which is a [**REDACTED**] Investor of the Company

[**REDACTED**]

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

[**REDACTED**]

"Longwan Financial Holdings"	Wenzhou Longwan Financial Holdings Co., Ltd. (溫州市龍灣區金融控股有限公司), a limited liability company established under the laws of the PRC on February 24, 2018, which is a [**REDACTED**] Investor of the Company
"Main Board"	the stock market (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Hong Kong Stock Exchange

"Mandatory Provisions"	the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (《到境外上市公司章程必備條款》), as amended, supplemented or otherwise modified from time to time, for inclusion in the articles of association of companies incorporated in the PRC to be listed overseas (including Hong Kong), which were promulgated by the former Securities Commission of the State Council (國務院證券委員會) and the former State Commission for Restructuring the Economic Systems (國家經濟體制改革委員會) on August 27, 1994
"Ministry of Finance" or "MOF"	Ministry of Finance of the PRC (中華人民共和國財政部)
"Mr. Xiang"	Mr. Xiang Guangda (項光達), a Controlling Shareholder of the Company controlling approximately 62.6% of the total equity interests in the Company as of the Latest Practicable Date
"NDRC"	National Development and Reform Commission of the PRC (中華人民共和國國家發展與改革委員會)
"NEA"	National Energy Administration of the PRC (中華人民共和國國家能源局)

[**REDACTED**]

[**REDACTED**]

"PBOC"	People's Bank of China (中國人民銀行), the central bank of the PRC
"Pingan Investment"	Guangzhou Ping An Consumer Equity Investment Partnership (Limited Partnership) (廣州市平安消費股權投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on December 30, 2020, which is a [**REDACTED**] Investor of the Company
"PRC GAAP"	accounting principles generally accepted in the PRC issued by the MOF
"PRC Legal Advisor"	Fangda Partners

[**REDACTED**]

[**REDACTED**]

"province"	a province or, where the context requires, a provincial level autonomous region or municipality, under the direct supervision of the central government of the PRC
"QIB" or "Qualified Institutional Buyer"	a qualified institutional buyer within the meaning of Rule 144A
"Qingdao Heaven-Sent"	Qingdao Heaven-Sent Hengxin Equity Investment Partnership (Limited Partnership) (青島硅谷天堂恒信股權投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on February 14, 2022, which is a [**REDACTED**] Investor of the Company
"Qingdao SAIC"	Qingdao SAIC Innovation and Upgrade Industry Equity Investment Fund Partnership (Limited Partnership) (青島上汽創新升級產業股權投資基金合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on January 12, 2021, which is a [**REDACTED**] Investor of the Company
"Regulation S"	Regulation S under the U.S. Securities Act
"Reporting Accountant"	Ernst & Young
"REPT"	one of the brands under which our products are sold
"REPT Energy"	REPT Energy Co., Ltd. (瑞浦能源有限公司), a limited liability company established under the laws of the PRC on October 25, 2017, which is the predecessor of the Company

"REPT Qingchuang"	Shanghai REPT Qingchuang New Energy Co., Ltd. (上海瑞浦青創新能源有限公司), a limited liability company established under the laws of the PRC on January 2, 2018, which is a subsidiary of the Company
"REPT SAIC"	REPT SAIC EV Battery Co., Ltd. (瑞浦賽克動力電池有限公司), a limited liability company established under the laws of the PRC on April 15, 2022, which is a subsidiary of the Company as of the Latest Practicable Date
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Ronghe BESS"	Shanghai Ronghe BESS Energy Co., Ltd. (上海融和元儲能源有限公司), a limited liability company established under the laws of the PRC on June 4, 2019, which is one of the customers of the Company
"Ruitu Energy"	Ruitu Energy Co., Ltd. (瑞途能源有限公司), a limited liability company established under the laws of the PRC on August 27, 2019, which is a subsidiary of Yongqing Technology as of the Latest Practicable Date and is a Controlling Shareholder of the Company
"Ruizhou Energy"	Ruizhou Energy Co., Ltd. (瑞洲能源有限公司), a limited liability company established under the laws of the PRC on June 5, 2020, which is a subsidiary of Yongqing Technology
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAIC-GM-Wuling"	SAIC-GM-Wuling Automobile Co., Ltd. (上汽通用五菱汽車股份有限公司), a limited liability company established under the laws of the PRC on June 15, 1998, which is one of the customers and strategic investors of the Company
"SAIC MAXUS"	SAIC MAXUS Automotive Co., Ltd. (上汽大通汽車有限公司), a limited liability company established under the laws of the PRC on April 8, 2011, which is one of the customers of the Company

"SAIC Motor"	SAIC Motor Corp., Ltd. (上海汽車集團股份有限公司), a limited liability company established under the laws of the PRC on April 16, 1984
"SAIC Passenger Automobile"	SAIC Motor Co., Ltd. Passenger Automobile Branch (上海汽車集團股份有限公司乘用車分公司), a branch owned by the SAIC Motor Corp., Ltd. and incorporated in the PRC on January 26, 2007, which is one of the customers of the Company
"Sany Group"	SANY Group Co., Ltd. (三一集團有限公司), a limited liability company established under the laws of the PRC on October 18, 2000, which is one of the customers of the Company
"SAT"	State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"SCGC"	Shenzhen Capital Group Co., Ltd. (深圳市創新投資集團有限公司), a limited liability company established under the laws of the PRC on August 25, 1999, which is a [**REDACTED**] Investor of the Company
"Securities and Futures Ordinance" or "SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Securities Law"	Securities Law of the People's Republic of China (中華人民共和國證券法), as amended, supplemented or otherwise modified from time to time
"SFC"	the Securities and Futures Commission of Hong Kong
"Shanghai Decent"	Shanghai Decent Investment (Group) Co., Ltd. (上海鼎信投資(集團)有限公司), a limited liability company established under the laws of the PRC on February 1, 2007, which is an associate of Mr. Xiang and is a Controlling Shareholder of the Company
"Shanghai-Hong Kong Stock Connect"	a securities trading and clearing links program developed by the Hong Kong Stock Exchange, Shanghai Stock Exchange, HKSCC and China Securities Depository and Clearing Corporation Limited for mutual market access between Hong Kong and Shanghai

"Share(s)"	ordinary shares in the capital of the Company with a nominal value of RMB1.00 each
"Shareholder(s)"	holder(s) of the Shares
"Share Incentive Scheme of BatteroTech Shanghai"	The share incentive scheme adopted by BatteroTech Shanghai in November 2022, a summary of which is set forth in "Appendix VI – Statutory and General Information – The Share Incentive Schemes" in this document
"Share Incentive Schemes of the Company"	2021 Share Incentive Scheme of the Company and 2022 Share Incentive Scheme of the Company
"Shenzhen-Hong Kong Stock Connect"	a securities trading and clearing links program developed by the Hong Kong Stock Exchange, Shenzhen Stock Exchange, HKSCC and China Securities Depository and Clearing Corporation Limited for mutual market access between Hong Kong and Shenzhen
"Silver Saddle Fund"	Nanjing Silver Saddle Lingxiu New Materials Industry Fund Partnership (Limited Partnership) (南京銀鞍嶺秀新材料產業基金合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on June 23, 2020, which is a [**REDACTED**] Investor of the Company
"SolaX Power"	SolaX Power Network Technology (Zhejiang) Co., Ltd. (浙江艾羅網路能源技術股份有限公司), a limited liability company established under the laws of the PRC on March 2, 2012, which is one of the customers of the Company
"Special Regulations"	the Special Regulations of the State Council on Overseas Offering and Listing of Shares by Joint Stock Limited Companies (國務院關於股份有限公司境外募集股份及上市的特別規定), promulgated by the State Council on August 4, 1994

[**REDACTED**]

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

"subsidiary(ies)"	has the meaning ascribed to it in Schedule 1 of the Companies Ordinance
"Sungrow Energy Storage"	Sungrow ENERGY Storage Technology Co., Ltd. (陽光儲能技術有限公司), a limited liability company established under the laws of the PRC on June 15, 2015, which is one of the customers of the Company
"Supervisor(s)"	member(s) of Supervisory Committee
"Supervisory Committee"	supervisory committee of the Company
"Suzhou NewMargin"	Suzhou NewMargin Changfeng Venture Capital Management Partnership (Limited Partnership) (蘇州聯創長風創業投資管理合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on August 18, 2022, which is a [**REDACTED**] Investor of the Company
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Tianjin Haihe (IDG Capital Entity)"	Tianjin Harmonious Haihe Equity Investment Partnership (Limited Partnership) (天津和諧海河股權投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on April 18, 2019, which is an investment entity of IDG Capital, and a [**REDACTED**] Investor of the Company
"Track Record Period"	the three years ended December 31, 2020, 2021 and 2022
"Tsingshan Group"	Tsingshan Holding Group Company Limited (青山控股集團有限公司), a limited liability company established under the laws of the PRC on June 12, 2003, which is a Controlling Shareholder of the Company holding approximately 62.6% equity interests in the Company as of the Latest Practicable Date through Yongqing Technology, a subsidiary of Tsingshan Group
"UK"	the United Kingdom

[**REDACTED**]

[**REDACTED**]

"US$" or "U.S. dollars"	United States dollars, the lawful currency of the United States
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. person"	a U.S. person, as defined of Rule 902 of Regulation S
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time, and the rules and regulations promulgated under it
"VAT"	value added tax
"Vremt"	Viridi E-Mobility Technology (Ningbo) Co., Ltd. (威睿電動汽車技術(寧波)有限公司), a limited liability company established under the laws of the PRC on June 23, 2017, which is one of the customers of the Company
"Wenzhou Chengyuan"	Wenzhou Xinyin Chengyuan Equity Investment Partnership (Limited Partnership) (溫州信銀成遠股權投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on July 11, 2022, which is a [**REDACTED**] Investor of the Company
"Wenzhou Chenshan"	Wenzhou Chenshan Enterprise Management Partnership (Limited Partnership) (溫州辰杉企業管理合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on July 7, 2020, which is an employee shareholding platform of BatteroTech Shanghai
"Wenzhou Gongchuang"	Wenzhou Gongchuang Investment Co., Ltd. (溫州市工創投資有限公司), a limited liability company established under the laws of the PRC on December 19, 2011, which is a [**REDACTED**] Investor of the Company

"Wenzhou Jingli"	Wenzhou Jingli Business Service Partnership (Limited Partnership) (溫州景鋰商務服務合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on July 21, 2021, which is an employee shareholding platform of the Company and is a Controlling Shareholder of the Company
"Wenzhou Lingteng"	Lingteng (Wenzhou) Trading Agent Partnership (Limited Partnership) (領騰(溫州)貿易代理合夥企業(有限合夥)), a general partnership established under the laws of the PRC on November 7, 2022, which is an employee shareholding platform of BatteroTech Shanghai
"Wenzhou Qianshi"	Wenzhou Qianshi Mining Technology Partnership (Limited Partnership) (溫州乾石礦業科技合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on November 15, 2021, which is controlled by Zhejiang Ruiyuan, its general partner
"Wenzhou Qingshan"	Wenzhou Qingshan Metal Materials Partnership (Limited Partnership) (溫州青衫金屬材料合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on July 5, 2021, which is an employee shareholding platform of the Company
"Wenzhou Ruili"	Wenzhou Ruili Enterprise Development Partnership (Limited Partnership) (溫州瑞鋰企業發展合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on August 5, 2021, which is an employee shareholding platform of the Company
"Wenzhou Transportation Group"	Wenzhou Transportation Group Co., Ltd. (溫州市交通運輸集團有限公司), a limited liability company established under the laws of the PRC on August 21, 1998, which is a [**REDACTED**] Investor of the Company
"Wenzhou Xinke"	Wenzhou Xinke Technology Co., Ltd. (溫州芯殼科技有限公司), a limited liability company established under the laws of the PRC on April 24, 2020, which is a subsidiary of the Company

"Wenzhou Zhenxu"	Wenzhou Zhenxu Equity Investment Partnership (Limited Partnership) (溫州臻旭股權投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on July 12, 2022, which is a [**REDACTED**] Investor of the Company
"Wenzhou Zhongzhan"	Wenzhou Zhongzhan Business Service Partnership (Limited Partnership) (溫州眾展商務服務合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on November 7, 2022, which is an employee shareholding platform of BatteroTech Shanghai
"Wenzhou Zhuorui"	Wenzhou Zhuorui Energy Saving Technology Partnership (Limited Partnership) (溫州卓瑞節能技術合夥企業(有限合夥), a limited partnership established under the laws of the PRC on October 11, 2021, which is an employee shareholding platform of Tsingshan Group and its associates

[**REDACTED**]

"Wuhan Yunshang"	Wuhan Silicon Paradise Yunshang Venture Capital Partnership (Limited Partnership) (武漢天堂硅谷雲尚創業投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on June 22, 2022, which is a [**REDACTED**] Investor of the Company
"Wuhu Wenming"	Wuhu Wenming Quanhong Investment Management Partnership (Limited Partnership) (蕪湖聞名泉泓投資管理合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on May 20, 2021, which is a [**REDACTED**] Investor of the Company
"XCMG"	XCMG Automotive Division (徐工汽車有限公司), a limited liability company established under the laws of the PRC on April 19, 2011, which is one of the customers of the Company

"XCMG No. 1 Fund"	XCMG No. 1 Industrial Investment Partnership (Limited Partnership) (徐州徐工壹號產業投資合夥企業(有限合夥)) a limited partnership established under the laws of the PRC on July 18, 2022, which is a [**REDACTED**] Investor of the Company
"Xiamen Fuxinrui"	Xiamen Fuxinrui Investment Partnership (Limited Partnership) (廈門福新瑞投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on August 23, 2022, which is a [**REDACTED**] Investor of the Company
"Xiamen King Long"	Xiamen KING LONG UNITED AUTOMOTIVE Industry Co., Ltd. (廈門金龍聯合汽車工業有限公司), a limited liability company established under the laws of the PRC on December 3, 1988, which is one of the customers of the Company
"Yongqing Technology"	Yongqing Technology Group Co., Ltd. (永青科技集團有限公司), a limited liability company established under the laws of the PRC on January 24, 2018, which is a Controlling Shareholder of the Company directly and indirectly holding approximately 62.6% equity interests in the Company as of the Latest Practicable Date
"Yutong Bus"	YUTONG Bus Co., Ltd. (宇通客車有限公司), a limited liability company established under the laws of the PRC on January 8, 1997, which is one of the customers of the Company
"Zhejiang Ruixu"	Zhejiang Ruixu Technology Co., Ltd. (浙江瑞旭科技有限公司), a limited liability company established under the laws of the PRC on December 6, 2019, which is a subsidiary of the Company
"Zhejiang Ruiyuan"	Zhejiang Ruiyuan Technology Co., Ltd. (浙江瑞園科技有限公司), a limited liability company established under the laws of the PRC on June 6, 2022, which is a subsidiary of the Company
"Zhejiang Tsingshan"	Zhejiang Tsingshan Enterprise Management Co., Ltd. (浙江青山企業管理有限公司), a limited liability company established under the laws of the PRC on April 17, 2007, which is controlled by Mr. Xiang as to 80% of its equity interests as of the Latest Practicable Date and is a Controlling Shareholder of the Company

"Zhejiang University Education Foundation"	Zhejiang University Education Foundation (浙江大學教育基金會), a social organization established under the laws of the PRC on July 27, 2006, which is a [**REDACTED**] Investor of the Company
"Zhongyuan Hejia"	Zhongyuan Hejia (Zhuhai) Equity Investment Fund (Limited Partnership) (中源合嘉(珠海)股權投資基金(有限合夥)), a limited partnership established under the laws of the PRC on February 25, 2022, which is a [**REDACTED**] Investor of the Company
"Zibo Junci"	Zibo Junci Hongchuang No. 3 Equity Investment Fund Partnership (Limited Partnership) (淄博雋賜虹創叁號股權投資基金合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on April 13, 2021, which is a [**REDACTED**] Investor of the Company
"%"	percent

In this document, the terms "associate," "close associate," "connected person," "connected transaction," "controlling shareholder," and "substantial shareholder" have the meanings given to such terms in the Hong Kong Listing Rules, unless the context otherwise requires.

The English translation of PRC entities, enterprises, nationals, facilities and regulations in Chinese or another language in this document is for identification purposes only. In this document, should there be any discrepancy between the Chinese names of the entities or enterprises established in China and its English translation, the Chinese names shall prevail.

In this Document, unless the context otherwise requires, explanations and definitions of certain terms used in this Document in connection with our Group and our business shall have the meanings set out below. The terms and their meanings may not correspond to standard industry meaning or usage of these terms, and may not be comparable to similarly terms adopted by other companies.

"Ah"	Amp-hour, battery capacity unit
"ASES"	Alliance Supplier Evaluation Standard used by Renault, Nissan and Mitsubishi for supplier auditing
"BEV"	Battery Electric Vehicle
"BMS"	Battery Management System
"bulk delivery"	The stage where lithium-ion batteries have passed trial production and certification process of customers, and lithium-ion batteries are manufactured in large quantity (i.e. mass production) to customers in accordance with relevant contract
"CNAS"	China National Accreditation Service for Conformity Assessment
"CNT"	Carbon nanotube
"CTP"	Cell to pack, an approach used to integrate battery cells directly into battery packs without the intermediate step of modules
"cycle life"	Or life cycle, refers to the number of times (or cycles) that the EV battery can undergo the process of complete charging and discharging until the end of its life, and the end life of an EV battery generally indicates that the available capacity of the battery has decay to 80% of its designed capacity
"detachable CTP technology"	A technology that can improve the space utilization of the battery pack by optimizing the individual and module structural design, realizing the de-structuring of the battery pack and effectively improving the pack integration rate

"Easy-for-Tera cells ("ET電芯")"	Cells that adopt the proprietary high-speed winding, cutting or stacking integration technology in our flat batteries, which improves the efficiency of the production process and improves battery performance
"EMS"	Energy management system
"energy density"	The amount of energy that can be contained within a given volume or given mass
"EPC"	Engineering, procurement and construction
"EREV"	Extended-range electric vehicle
"ERP system"	Enterprise Resource Planning System
"ESS"	A device that can store and output power, consists of multiple subsystems such as battery system and energy management system
"EV" or "electric vehicle"	New energy vehicles, mainly comprising of battery electric vehicles and plug-in hybrid electric vehicles
"GB 38031-2020"	PRC National Standard: <Electric vehicles traction battery safety requirements>, which was issued on May 12, 2020
"GB 38032-2020"	PRC National Standard: <Electric buses safety requirements>, which was issued on May 12, 2020
"GB/T 31484-2015"	PRC National Standard: <Cycle life requirements and test methods for traction battery of electric vehicle>, which was issued on May 15, 2015
"GB/T 31485-2015"	PRC National Standard: <Safety requirements and test methods for traction battery of electric vehicle>, which was issued on May 15, 2015
"GB/T 31486-2015"	PRC National Standard: <Electrical performance requirements and test methods for traction battery of electric vehicle>, which was issued on May 15, 2015

"GB/T 36276-2018"	PRC National Standard: <Lithium ion battery for electrical energy storage>, which was issued on June 7, 2018
"GD22-2019"	<Guidelines for Inspections of Ships only powered by Batteries>, which released by CCS (China Classification Society)
"GWh"	The unit of electricity, KWh is the degree, 1GWh=1,000,000KWh
"IATF16949"	International technical specification of automotive industry quality management system, which prepared by IATF (International Automotive Task Force) and ISO (International Organization for Standardization)
"IDC"	Internet data center
"IEC62619"	<Secondary cells and batteries containing alkaline or other non-acid electrolytes – Safety requirements for secondary lithium cells and batteries for use in industrial applications>, which released by International Electrotechnical Commission (IEC)
"IECQ QC 080000"	IEC Quality Assessment System for Electronic Components for Hazardous Substance Process Management (HSPM) System Requirements, which released by International Electrotechnical Commission (IEC)
"installed capacity" or "installation"	The volume of battery products installed in EVs or ESSs, usually expressed in electricity unit of GWh or KWh
"iron phosphate"	Iron phosphate, also known as high iron phosphate and iron orthophosphate, with molecular formula FePO4, is a white, off-white monoclinic crystal powder, and is a compound used to synthesize lithium iron phosphate battery cathode materials
"IS16046:2018"	Safety Requirements for Secondary Cells and Batteries Containing Alkaline or Other Non-Acid Electrolytes to be used in Portable applications, which issued by BIS (Bureau of Indian Standards)

"ISO14001"	Environmental Management System, which released by ISO (International Organization for Standardization)
"ISO45001"	Occupational Health and Safety Management System, which released by ISO (International Organization for Standardization)
"ISO50001"	Energy Management System, which released by ISO (International Organization for Standardization)
"ISO9001"	International Quality Management System, which released by ISO (International Organization for Standardization)
"ISO/IEC17025"	Laboratory Management System, which released by ISO (International Organization for Standardization)
"JET"	Japan Electric Safety & Environment Technology Laboratories
"JIS C 8715-2:2019"	<Secondary lithium cells and batteries for use in industrial applications – Part 2: Tests and requirements of safety>, which released by Japanese Standards Association
"large capacity battery"	Battery with capacity of greater than or equal to 100Ah
"LCE"	Lithium carbonate equivalent
"LCO"	Lithium cobalt oxide ($LiCoO_2$)
"LMO"	Lithium manganese oxide ($LiMn_2O_4$)
"LMFP"	Lithium manganese iron phosphate (LiMnxFe1−xPO4)
"LFP"	Lithium iron phosphate ($LiFePO_4$)
"LFP battery"	A lithium-ion battery that uses lithium iron phosphate ($LiFePO_4$) as the cathode material
"lithium"	A metal chemical element, of which the element symbol is Li, and the atomic number is 3

"lithium carbonate"	A common lithium compound with the chemical formula Li_2CO_3. It is the most widely used lithium product with broad application range. It is classified into industrial grade lithium carbonate, battery grade lithium carbonate and high-purity lithium carbonate due to its different purity levels
"lithium-ion battery"	Rechargeable battery that composes of cells in which lithium ions move from the negative electrode through electrolytes to the positive electrode during discharge and back when charging
"mass energy density"	The amount of energy that can be contained within a given mass
"MES system"	Manufacturing execution system
"MW"	megawatt, unit of power, 1 MW=1,000,000 watts
"MWh"	The unit of electricity, KWh is the degree, 1MWh=1,000KWh
"NCA"	Lithium nickel cobalt aluminum oxide $(Li(Ni_XCo_YAl_Z)O_2)$
"nail penetration test"	A type of safety testing done to simulate internal short-circuiting
"NCM"	Nickel-cobalt-manganese ternary materials, which can be used as cathode materials for ternary batteries. Given different ratios of nickel, cobalt, and manganese, it can be classified into NCM523, NCM622, NCM811, etc.
"NMP"	N-methylpyrrolidone, which is a chemical that is widely used during the manufacture and production of petrochemicals, electronics and plastic material and resin manufacturing
"OA system"	Office automation system
"OEM"	Original equipment manufacturer
"PCS"	Power conversion system

"PCT"	Patent Cooperation Treaty
"PHEV"	Plug-in Hybrid Electric Vehicle
"PLM system"	Product lifecycle management
"PVDF"	Polyvinylidene difluoride which is a highly non-reactive thermoplastic fluoropolymer produced by the polymerization of vinylidene difluoride
"QIP"	Quality Improvement Plan
"REACH"	Registration, Evaluation, Authorization and Restriction of Chemicals, which is a regulation of the European Union, adopted to improve the protection of human health and the environment from the risks that can be posed by chemicals
"ROHS"	Restriction of Hazardous Substances, short for directive on the restriction of the use of certain hazardous substances in electrical and electronic equipment, which adopted in February 2003 by the European Union
"R&D"	Research and development
"SCL"	Super cutting lithium-ion battery
"SCL technology" or "SCL die-cutting technology"	One of the Company's proprietary technology which can effectively increase the volumetric energy density of the battery cell by avoiding burrs on the top of pole pieces caused by double cutter step at the die cutting stage, and can improve the utilization of battery space
"small capacity battery"	Battery with capacity of less than 100Ah
"SPC"	Statistical Process Control
"ternary lithium battery"	Lithium-ion battery whose cathode material composes of three elements in two forms: nickel-cobalt-manganese, or nickel-cobalt-aluminum
"TWh"	The unit of electricity, KWh is the degree, 1TWh=1,000,000,000 KWh

GLOSSARY OF TECHNICAL TERMS

"Twin Star ("雙子星") battery"	A type of battery that developed from new materials and has high energy density, safety performance and low production costs
"UL1642"	Standard for Lithium Batteries, which released by Underwriters Laboratories Inc.
"UL1973"	Standard for Batteries for Use in Stationary and Motive Auxiliary Power Applications, which released by Underwriters Laboratories Inc.
"UL2580"	Standard For Batteries for Use in Electric Vehicles, which released by Underwriters Laboratories Inc.
"UL9540A"	Standard for Test Method for Evaluating Thermal Runaway Fire Propagation in Battery Energy Storage Systems, which released by Underwriters Laboratories Inc.
"UN38.3"	The prevailing United Nations standard that lithium batteries must meet to receive certification for safe transport, which refers to Section 38.3 of Part 3 of the "United Nations Manual of Tests and Standards for the Transport of Dangerous Goods"
"UPS"	Uninterruptible power supply
"V"	Basic unit of voltage
"VDA"	German Association of the Automotive Industry
"volumetric energy density"	The amount of energy that can be contained within a given volume
"WCS system"	Warehouse control system
"WenDing ("問頂") technology"	A new generation technology with innovative techniques for the welding of the battery tab and cap which can be applied to LFP battery products as well as ternary lithium battery products
"Wh/kg"	Watt hour/kilogram
"Wh/L"	Watt hour/liter
"WMS system"	Warehouse management system

FORWARD-LOOKING STATEMENTS

This document includes forward-looking statements. All statements other than statements of historical facts contained in this document, including, without limitation, those regarding our future financial position, our strategy, plans, objectives, goals, targets and future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words "believe," "expect," "estimate," "predict," "aim," "intend," "will," "may," "plan," "consider," "anticipate," "seek," "should," "could," "would," "continue," or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among other things, the following:

- general political and economic conditions, including those related to the PRC;
- our ability to successfully implement our business plans and strategies;
- future developments, trends and conditions in the industry and markets in which we operate or into which we intend to expand;
- our business operations and prospects;
- our capital expenditure plans;
- the actions and developments of our competitors;
- our financial condition and performance;
- capital market developments;
- our dividend policy;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business and our business plans; and
- various business opportunities that we may pursue.

FORWARD-LOOKING STATEMENTS

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to, those discussed in "Risk Factors" and elsewhere in this document. We caution you not to place undue reliance on these forward-looking statements, which reflect our management's view only as of the date of this document. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this document might not occur. All forward-looking statements contained in this document are qualified by reference to the cautionary statements set out in this section.

An [**REDACTED**] *in the H Shares involves various risks. You should consider carefully all the information set out in this document and, in particular, the risks described below before making an* [**REDACTED**] *in the H Shares.*

The occurrence of any of the following events could materially and adversely affect our business, financial position, results of operations or prospects. If any of these events occurs, the trading price of the H Shares could decline and you may lose all or part of your investment. You should seek professional advice from your relevant advisors regarding your prospective investment in the context of your particular circumstances.

RISKS RELATING TO OUR INDUSTRY AND BUSINESS

We have a limited operating history, making it difficult to evaluate our business prospects, and we may not be successful in expanding our operations or managing our growth.

We were established in October 2017, and achieved bulk delivery for lithium-ion batteries in April 2019. Our limited operating history makes it difficult to evaluate our business prospects, and to plan for our future. We have relatively limited historical data for making judgments on the demand for our products, our ability to develop, manufacture and deliver products, or our profitability in the future. We may not always be accurate in predicting industry trends that may emerge and affect our business. We experienced significant revenue growth and the increase in our production capacity during the Track Record Period. See "Financial Information – Principal Components of Statement of Profit or Loss and Other Comprehensive Income – Revenue." However, our historical revenue growth should not be considered as an indicator of our future performance. Investors should comprehensively consider our business and prospects in light of the risks and challenges we face in our industry as a new entrant, including but not limited to our ability to:

- design and produce safe, reliable and quality products;
- continuously improve our R&D capabilities;
- improve operating efficiency and achieve economies of scale;
- build a well-recognized and respected brand;
- expand our customer base; and
- effectively manage our supply chain.

If we fail to address any of the aforesaid risks and challenges, our business, financial condition and results of operations could be materially and adversely affected.

Our business growth depends, in large part, on our ability to efficiently execute our production capacity expansion plan. We plan to achieve a designed production capacity of 77GWh by the end of 2023 and over 150GWh by the end of 2025. The success of our production expansion plan may also be affected by a number of factors beyond our control, including but not limited to the progress of the construction conducted by third-party construction companies, development of local laws and regulations and government support. Even if we succeed in expanding our production capacity, there may not be enough demand for our products to justify the increased capacity. If there is persistent mismatch in the demand for our products and our production capacity, we may experience problems associated with overcapacity and under-utilization of our resources, which may result in adverse impact to our business, financial condition and results of operations. Furthermore, as we expand our production capacity in the future, we expect to incur additional depreciation and operational expenses, which may also adversely affect our results of operations.

Our growth may also be affected by factors such as our ability to manage a continuously growing organization as we expand, control expenses and investments in anticipation of expanded operations, implement and enhance administrative infrastructure, system and processes, comply with environmental, workplace safety, and relevant regulations, execute our strategies successfully, and address new markets and potentially unforeseen challenges as they arise.

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

We recorded net losses in the past, and we have not been profitable yet.

We have been incurring net losses from operations during the Track Record Period. We incurred net losses of RMB53.3 million, RMB804.2 million and RMB450.8 million in 2020, 2021 and 2022, respectively. See "Financial Information – Results of Operations." We are not yet profitable for a number of reasons, including but not limited to the fluctuation in prices of key raw materials, the time needed for the release of our production capacity and the formation of economies of scale, the need for improvement in our production efficiency, and the increasingly intense competition, as well as other risks discussed herein. There is no assurance as to whether and when we will become profitable. Our ability to become profitable in the future will not only depend on our efforts to sell our products but also to control our costs. If we are unable to adequately control the costs associated with our operations, we may continue to experience losses in the future.

Our plans to achieve profitability may not develop as expected, which may affect our business sustainability.

We have plans and have adopted various measures to sustain our business and achieve profitability. See "Business – Business Sustainability – Path to Profitability." We intend to continue to invest substantially in the foreseeable future in expanding our production facilities to achieve economies of scale. See "Future Plans and Use of [**REDACTED**]." We also plan to continue to optimize product design and improve product performance, and to continue to conduct strategy cooperation and joint development with suppliers to leverage the suppliers' resource pool. See "Business – Business Sustainability." However, such plans may not materialize or develop as timely and to the extend as expected, in which case may not achieve profitability as planned or at all. In addition, if we fail to achieve economies of scale through our efforts or fail to adopt adequate cost control and price adjustment measures, our plan to achieve profitability may be adversely affected. These plans may be more costly than we expect, which may result in significantly increased expenses and failure to achieve our intended profitability. In the worst case of the abovementioned events, our business sustainability may be affected.

We may not be able to derive the desired benefits from our research and development efforts, which may negatively affect our competitiveness and profitability.

Technological innovation is critical to our success, and we make significant investments in product R&D. In 2020, 2021 and 2022, our R&D expenses were RMB72.7 million, RMB245.6 million and RMB767.7 million, respectively. See "Financial Information – Principal Components of Statement of Profit or Loss and Other Comprehensive Income – Research and Development Expenses." In order to maintain and expand our competitive advantage, we may devote more resources in the future. In addition to our in-house R&D capabilities, we also engage in joint R&D collaboration with third parties to jointly develop new technologies and products. See "Business – Research and Development – Our Research and Development." However, as R&D activities are inherently uncertain, we cannot assure you that our R&D projects will be successful or be completed within the anticipated time frame and budget, or that our newly developed products will achieve wide market acceptance. If we fail to keep up with the latest technological development and industry trends, we may suffer a decline in our competitive position. Even if such products can be successfully launched, we cannot assure you that they will be accepted by our customers and achieve anticipated sales target or profit.

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

If we fail to respond appropriately in the afore-mentioned situations, our significant expenditures on R&D may not generate corresponding benefits, which may materially and adversely affect our business, prospects, financial condition and results of operations.

We may not be able to increase our production capacity as planned, and even if our production expansion projects proceed as planned, we may not be able to increase our production output in a timely manner or at all as envisaged.

We expect to expand our battery production capacity to meet customers' expected demands for our products. We plan to achieve a designed production capacity of 77GWh by the end of 2023 and over 150GWh by the end of 2025. See "Business – Production – Planned Production Facilities." Such expansion will impose significant responsibilities on our senior management and require significant commitment of our resources, including financial resources and the time needed to identify, recruit, maintain, and integrate additional employees. Our proposed expansion will also expose us to greater overhead and support costs and other risks associated with the manufacture and commercialization of new products as disclosed in this document. Based on our total budgeted investment for our planned production facilities in Foshan, Liuzhou, Jiashan and Wenzhou and our accounting policies on depreciation, we expect to incur additional depreciation expenses of approximately RMB402.1 million, RMB1,007.0 million and RMB1,519.0 million arising from such production expansion plans in 2023, 2024 and 2025 respectively. We expect operational expenses arising from such production expansion plans in 2023, 2024 and 2025 will be approximately RMB1,280.3 million, RMB2,626.9 million and RMB3,297.1 million, respectively. Difficulties in effectively managing the budgeting, financing, forecasting and other process control issues presented by such expansion could negatively affect our business, prospects, results of operations and financial condition. Such expansion is also required to obtain various approvals, permits, licenses and certificates and complete relevant inspections by competent government authorities. There is no assurance that we will be able to execute our expansion plan as contemplated or at all. Any delay or failure to obtain relevant approvals, permits, licenses and certificates or complete the inspections for our production expansion projects may materially delay our production expansion or even result in the cancellation of such plans, which may adversely affect our business, financial conditions and results of operations. See "– We may experience delays and/or failures in obtaining and renewing, such as, relevant PRC governmental approvals, licenses or permits for our new construction/expansion projects."

However, even if we manage to expand our production capacity as planned, there is no assurance that we may increase our production output in a timely manner or at all as envisaged. Our ability to increase our production output is subject to significant constraints and uncertainties, including but not limited to:

- delays by our suppliers and equipment vendors and cost overruns as a result of a number of factors, many of which may be beyond our control or cannot be foreseen, such as increases in raw material prices and problems with equipment vendors;
- delays in government approval process or denial of required approvals for production by relevant government authorities;
- our ability to configure the production lines for specific products in a timely manner;
- the performance of the manufacturing equipment we procured and the production expertise we retained; and
- diversion of significant management attention and other resources.

Moreover, our product development, manufacturing and testing protocols are complex and require significant technological and production process expertise. Any change in our processes could cause one or more production errors, requiring a temporary suspension or delay in our production line until the errors can be researched, identified, and properly addressed and rectified, and thus limit our production output. This may occur particularly as we introduce new products, modify our engineering and production techniques, and/or expand our production capacity. In addition, our failure to maintain appropriate quality assurance processes could result in increased product failures, loss of customers, increased warranty reserve, or increased production and logistics costs, and delays.

If we are unable to increase our production output in a timely manner or at all in the end because of any of the risks described above, we may be unable to fulfill customer orders or achieve the growth we expect. In addition, if we are unable to fulfill customer orders, our reputation could be affected, and our customers could source products from other companies. The combination of the foregoing could materially and adversely affect our business, financial condition and results of operations.

We are exposed to price fluctuations of raw materials.

Prices of raw materials have a significant impact on our cost of sales. In 2020, 2021 and 2022, costs of raw materials accounted for 67.5%, 68.3% and 79.9% of our cost of sales for the respective periods. See "Financial Information – Significant Factors Affecting Our Results of Operations – Fluctuation in Prices of Raw Materials" for a sensitivity analysis of raw material price fluctuations on our gross profit/(loss) before income tax. The current or expected supply of our key raw materials may fluctuate depending on a number of factors beyond our control, including but not limited to the availability of resources in the raw materials market, market demand, potential speculation, market disruptions, natural disasters and other factors. We may not be able to obtain stable, high-quality raw materials at reasonable prices at all times. Raw materials for our products primarily include cathode materials, anode materials, separators and electrolyte solutions. Historically, we experienced significant price fluctuations of key raw materials needed for our products. For example, the average price of lithium carbonate, a kind of key raw material for LFP cathode, has experienced significant fluctuations during the Track Record Period. According to the F&S Report, in 2020, 2021 and 2022, the average price for lithium carbonate was RMB47,100 per ton, RMB131,100 per ton and RMB496,100 per ton, respectively. See "Financial Information – Significant Factors Affecting Our Results of Operations – Fluctuation in Prices of Raw Materials." We cannot assure you that the prices of key raw materials needed for our products will return back to a level favorable to us in the future, and also, we cannot assure you that we will not experience significant increases in the prices of raw materials in the future. Under such circumstances, we may need to adjust the prices of our products accordingly to pass down the increased costs onto our customers, or procure other sources of supply of raw materials. However, we cannot assure you that we will be able to pass all or a portion of the increased costs to our customers due to factors such as competition, or we will be able to find alternative sources in a timely and cost-effective manner, or at all. More specifically, as of the Latest Practicable Date, sales agreements for 0.15GWh ESS battery products remained to be subject to fixed pricing arrangement without flexibility to reflect raw material price fluctuation, which was equivalent to approximately 0.9% of our total sales volume of battery products in 2022. If we fail to respond appropriately to the increases in the prices of raw materials needed for our products, our business, financial condition and results of operations may be materially and adversely affected.

Our results of operations may also be adversely affected by the decrease in the prices of raw materials, for we purchased some key raw materials and resold to our suppliers for the purpose of securing our stable supply of key raw materials. See "Financial Information – Revenue – Revenue by Product Usage."

We purchase certain key raw materials and components from third parties, and we may not be able to secure our supply of key raw materials in a stable and timely manner.

We currently purchase certain key raw materials needed for our products from third parties. Despite that we make strategic arrangements with major suppliers of raw materials to lock the price and/or quantity of our key raw materials in advance to ensure the stable supplies of key raw materials, our current suppliers may be unable to satisfy our future requirements of quality and quantity of raw materials on a timely basis. See "Business – Raw Materials, Components and Suppliers – Raw Materials, Components and Supply Agreement." Moreover, the prices of raw materials and components could fluctuate significantly due to circumstances beyond our control. See "– We are exposed to price fluctuations of raw materials and components." If our current suppliers are unable to satisfy our long-term requirements on a timely basis, we may be required to seek alternative sources for necessary materials and components, produce the raw materials or components in-house or redesign our proposed products to manufacture available substitutes at reasonable cost. If we fail to do so, it will result in a significant delay in our manufacturing and delivery of our products, which may result in liabilities of damages and damage to our reputation, and will adversely and materially affect our business, results of operations and financial condition.

We may be required to purchase certain amounts of raw materials under the long-term off-take agreements entered into with some of our raw material suppliers, which may exceed our production needs.

To ensure the stable supplies of key raw materials, we have made and may continue to make strategic arrangements in the future with major suppliers of raw materials to lock the price and/or quantity of our key raw materials in advance. For example, we purchased LFP, one of our key raw materials, from some of our suppliers pursuant to long-term off-take agreements at a benchmark price by referring to the then prevailing market prices. See "Business – Raw Materials, Components and Suppliers – Raw Materials, Components and Supply Agreement." Under such agreements, we may be required to purchase certain amounts of raw materials from the suppliers which may exceed our production needs, and may restrain our liquidity. It may also result in overstock of raw materials for certain periods and cause more impairment losses of our inventories due to inventory obsolescence, or due to the rapid increase in raw material prices for certain periods combined with our failure to adjust the selling prices of our battery products accordingly in a timely manner, and thus adversely affect our business, financial condition and results of operations.

Moreover, in the event that the selling prices of relevant raw materials do not increase as expected, we may be subject to the adverse impact of purchasing raw materials at prices that are higher than the market price, which in return may adversely affect our results of operations.

We face competition in our business.

The global lithium-ion battery market is highly competitive and concentrated, and we expect that the competition will be even more intense in the future. According to the F&S Report, top five EV battery manufacturers in China accounted for approximately 85.3% of China's total EV battery installation volume in 2022, which increased from 81.9% in 2020. According to the same source, top five China-based ESS battery manufacturers accounted for approximately 61.3% of the global total ESS battery installation volume in 2022, which increased from 40.3% in 2020. Our existing competitors may seek to increase their market shares through various measures, such as continued R&D efforts, increased production capacity, optimized production process and active marketing campaigns. Our competitors may also seek to increase their market shares through the reduction of price. We expect to face competition from both existing and new competitors as we expand our business into new business lines, geographic regions and product categories. Competitive pressure could also have an adverse impact on the demand for and pricing of our products, which in turn affects our growth and market share. If we fail to compete effectively, we may not be able to retain or expand our market share, which would have a material adverse effect on our business, results of operations and financial condition.

We may fail to recover our trade and bills receivables in a timely manner, which may affect our financial condition and results of operations.

As of December 31 2020, 2021 and 2022, our trade and bills receivables amounted to approximately RMB611.8 million, RMB1,053.5 million and RMB4,194.1 million, respectively. We incurred impairment of trade receivables of RMB2.1 million, RMB3.6 million and RMB84.7 million as of December 31, 2020, 2021 and 2022, respectively. We were able to shorten our trade receivables turnover days from 2022 as we strengthened our customer relationship and market position. See "Financial Information – Liquidity and Capital Resources – Trade and Bills Receivables." However, there can be no assurance that we will be able to maintain our trade receivables turnover days at a reasonable level. Should the credit worthiness of our customers deteriorate, or should a significant number of our customers fail to settle their trade and bills receivables in full for any reason, we may continue to incur impairment losses in the future and our results of operations and financial position could be materially and adversely affected. In addition, there may be a risk of delay in payment by our customers within their respective credit period, which in turn may also result in an impairment loss provision. There is no assurance that we will be able to fully recover our trade and bills receivables from the customers or that they will settle our trade and bills receivables in a timely manner. In the event that settlements from customers are not made on a timely manner, or at all, our financial condition and results of operations may be materially and adversely affected.

Our business depends on our ability to protect our intellectual property rights, and we may be exposed to intellectual property infringement and other claims by third parties, which, if successful, could cause us to pay significant damages and incur other costs.

We rely primarily on a combination of our patents, trade secrets, trademarks, the confidentiality agreements signed by the employees, and confidentiality agreements signed with the third parties to protect our intellectual property rights. Although we have applied and obtained a number of trade marks and patents for the operations of our business, there is no assurance that we are able to successfully apply and be granted new intellectual property rights in a timely and cost-effective manner in the future, for such applications are expensive and time consuming. See "Business – Intellectual Property." Despite our efforts to protect our proprietary rights, unauthorized parties may be able to obtain and use information that we regard as proprietary. Under such circumstances, to protect our intellectual property rights and maintain our competitive advantages, we may initiate legal proceedings against parties who we believe are infringing our intellectual property rights. Legal proceedings are often costly and may divert management attention and resources away from our business. In certain situations, we may have to initiate such legal proceedings in foreign jurisdictions, in which case we are subject to additional risks as to the result of the proceedings, the amount of damages that we can recover, and the enforcement process. As of the Latest Practicable Date, we were not involved in any legal proceeding against parties who we believe are infringing upon our intellectual properties.

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

- cease to sell products that are involved in the challenged intellectual property rights owned by others;

- pay damages;

- redesign our products; or

- establish and maintain alternative branding for our products.

The validity and scope of any potential claims/requests can be complicated and involve complex scientific, legal and factual questions and analysis and, therefore, may be highly uncertain. The defense and prosecution of intellectual property suits, patent opposition proceedings and related legal and administrative proceedings or requests can be both costly and time consuming and may significantly divert the efforts and resources of our management. A determination in any such litigation or proceedings or requests to which we are a party may invalidate our patents, subject us to pay damages to third parties, require us to seek licenses from third parties, pay ongoing royalties, redesign our products, subject us to injunctions prohibiting the manufacture and sale of our products or the use of our technologies. Any of the afore-mentioned will materially and adversely affect our business, financial condition and results of operations. As of the Latest Practicable Date, we were not involved in any legal proceeding against us for the infringement upon intellectual properties of third parties.

We may be subject to financial and reputational risks due to product recalls and product liability claims.

Lithium-ion battery used in EVs and ESSs are inherently complex and may be subject to failure, accidents or other malfunctions. Although we have not been involved in any material product quality accident, product recalls or other similar events during the Track Record Period and up to the Latest Practicable Date, there is no assurance that we will not be involved in those events in the future. The risk of product recalls and product liability claims, and associated adverse publicity, is inherent in the development, manufacturing and sales of our products. Our products and the products of third parties in which our products are a component are becoming increasingly sophisticated and complicated as technologies continue to advance, and as demand increases for lighter and more powerful rechargeable battery.

Product quality and liability issues may affect not only our own products but also the third-party products in which our battery products are a component. Our efforts to maintain product quality may not be successful, which may result in us incurring expenses in connection with, for example, product recalls and product liability claims, and adversely impact our brand image and reputation as a producer of high-quality products. Any product recalls or product liability claims seeking significant monetary damages could have a material adverse effect on our business and financial condition. A product recall or product liability claim could generate substantial negative publicity about our products and business, interfere with our manufacturing plans and product delivery obligations as we seek to replace, or repair affected products, and inhibit or prevent commercialization of other future product candidates.

We may be subject to liabilities and disruption in operations in connection with accidents that occur during the manufacturing process at our production facilities due to, among others, failure to comply with safety measures and procedures.

In the course of operations and production, we implement and require our employees to comply with safety measures and procedures as stipulated in our internal policies. Nevertheless, there is no assurance that our safety measures and procedures are strictly followed by our employees. As our manufacturing process is complicated and inevitably involves operation of tools, equipment and machinery and use of chemical materials, accidents resulting in employee injuries or even deaths may occur. Such accidents may result in disruption of our operation and subject us to liabilities, and we may not have adequate or sufficient insurance to cover such liabilities, which could then adversely affect our business, results of operation and financial condition. See "– We may not have adequate insurance to cover losses and liabilities arising from various operational risks and hazards."

If we are unable to retain existing customers and attract new customers, our business, financial conditions and results of operations will be adversely affected.

During the Track Record Period, we achieved significant growth of our business, with total revenue growing from RMB907.0 million in 2020 to RMB2,109.1 million in 2021, and further to RMB14,647.8 million in 2022. However, there is no assurance that we could retain our existing customers or attract new customers as we did during the Track Record Period, or at all. If we fail to retain our existing customers or attract new customers in the future due to that our products could not meet the requirements of the market, or that our selling prices are not competitive, or due to other factors disclosed in this herein, our business, financial conditions and results of operations will be adversely affected.

Our business is exposed to the supply-demand dynamics in the lithium-ion battery industry, and thus is affected by market demand for the end products where our batteries are used.

We provide battery products that are used for EVs and ESSs. Accordingly, our results of operations have been and are expected to continue to be affected by downstream demand for EVs and ESSs. Strong growths in China's EV market and EV battery annual installations, as well as the global ESS market, were major drivers for our growth during the Track Record Period. See "Financial Information – Significant Factors Affecting Our Results of Operations – End Market that We Serve and Fluctuation in Customer Demand." The downstream demands for EVs and ESSs are affected by many factors, such as:

- the specifications of EVs, such as purchase price, charging time, driving range, reliability and battery life; and of ESSs, such as the cost of renewable energy and the cost of corresponding energy storage systems;

- the government policies which promote the development of EVs and ESSs;

- the seasonality of China's EV market, where historically the sales volume of EV in the fist half year was generally lower than that of the second half year, which was affected by factors such as consumption habits, launch time of new EVs and holidays; and

- the macro-economies which affected the consumption habits of the society.

There is no assurance that the downstream demand for EVs and ESSs will maintain at the same level as we experienced during the Track Record Period which drove our revenue increase rapidly, or continue to increase in the future. If the downstream demand for EVs and ESSs do not increase as we expect, the market demand for our products will decrease correspondingly, which may result in under utilization of our production capacity, and in turn materially and adversely affect our business, financial condition and results of operations.

In addition, the U.S. Inflation Reduction Act (the "***IRA***"), passed into law by President Biden on August 16, 2022, sets aside $369 billion for climate and clean energy projects and policies. One of the key provisions for speeding the transition to EVs is a tax credit up to $7,500 for consumers in the U.S. purchasing EVs. However, in order to stimulate domestic production of not only EVs but also their batteries, the IRA requires EV manufacturers to provide verifiable evidence that large percentages of material sourcing and manufacturing take place within the US or in a partner country with a free trade agreement. EV manufacturers must prove that battery components have not been "extracted, processed or recycled by a foreign entity of concern." As such, to the extent an EV manufacturer is selling the EVs with our battery products in the U.S., the buyers will not be able to enjoy the tax credit. Without the tax credit, the demand and pricing of these EVs can be negatively affected, which in turn may have a negative impact on the pricing of our products to these EV manufacturers. Similarly, under the IRA there are certain tax credits available for the owners of ESS projects. However, if an ESS project fail to satisfy the relevant "domestic content" requirement, the tax credits that the project owner is eligible may be reduced. This may discourage U.S. ESS project owners from purchasing products from us or our customers. The European Union is also in the process of passing legislations with similar effects. Any of such legislations may affect our ability in developing overseas markets who focus on the sales to the U.S. and potentially Europe.

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

Our products are used in our customer's end products, including EVs and ESSs. New legislations or changes in the PRC regulatory requirements regarding these end markets may affect our business, financial condition, results of operations and prospects. For example, the PRC government has promulgated, amended and updated a number of legislations in relation to the new energy vehicle market. On June 28, 2012, the State Council of PRC approved the Energy-saving and New Energy Automobile Industry Development Plan (2012-2020) (《節能與新能源汽車產業發展規劃(2012-2020年)》) (國發[2012]22號), granting supports and subsidies to EVs. On July 14, 2014, the General Office of the State Council issued the Guiding Opinion of the General Office of the State Council on Accelerating the Popularization and Application of New Energy Vehicle (《國務院辦公廳關於加快新能源汽車推廣應用的指導意見》) (國辦發[2014]35號) to grant further tax incentives and exemptions for new energy vehicles. On March 13, 2015, the Ministry of Communications issued the Opinions on Accelerating the Promotion and Application of New Energy Vehicles in the Transportation Industry (《關於加快推進新能源汽車在交通運輸行業推廣應用的實施意見》) (交運發[2015]34號). A preferential vehicle licensing system has also been introduced in several cities in the PRC to further encourage the purchases of new energy vehicles. On October 20, 2020, the State Council issued the "Development Plan for New Energy Automobile Industry (2021-2035)" (Guobanfa [2020] No. 39) (《新能源汽車產業發展規劃(2021–2035年)》(國辦發[2020]39號)), proposing to achieve the large-scale application of vehicles with high driving automation through a 15-year effort. However, these policies are subject to certain limits as well as changes that are beyond our control, and we cannot assure you that future changes, if any, would be favorable to our business or financial condition. For instance, according to the Notice on Improving the Financial Subsidy Policies for the Promotion and Application of New Energy Vehicles (Caijian [2020] No. 86) (《關於完善新能源汽車推廣應用財政補貼政策的通知》(財建[2020]86號)) (collectively, the "**2020 Subsidy Circular**"), released by the Ministry of Finance, the Ministry of Industry and Information Technology, the Ministry of Science and Technology and the Development and Reform Commission on April 23, 2020, which was further confirmed on December 31, 2020 and December 31, 2021, save in areas such as public transportation, the subsidies for EV purchases from 2020 to 2022 will generally be reduced by 10%, 20% and 30%, respectively, based on the level of the previous year, and the total number of EVs sold in China that will be entitled to such subsidies should be no more than two million each year. In addition, the national EV subsidy policy under the 2020 Subsidy Circular was terminated on December 31, 2022. Such policies are expected to have a negative impact on the demand for EVs and hence for EV batteries. The termination of the subsidy policy could directly affect the profitability of the EV manufacturers in the short term and some of them may choose to pass down such increased costs to end customers, which may disencourage end customers from choosing EV, and then affect the overall market demand of EV batteries. In 2020, 2021 and 2022, our revenue generated from sales of EV battery products amounted to RMB673.2 million, RMB981.5 million and RMB4,642.8 million, representing 74.2%, 46.5% and 31.7%% of our total revenue in the same periods, respectively. Any uncertainty or delay in collection of the government subsidies may have an adverse impact on our product's end markets, which in turn might adversely affect the demand of our products.

In addition, in the context of the national goal of carbon neutrality, China energy storage market welcomes a series of favorable policies. For instance, Action Plan for Carbon Dioxide Peaking Before 2030 issued by the State Council in 2021 unveiled a series of action plan to accelerate the energy storage development. As for ESS industry, on July 23, 2021, the National Development and Reform Commission (the "**NDRC**") and the National Energy Administration (the "**NEA**") issued the Guiding Opinions on Accelerating the Development of New Energy Storage (《關於加快推動新型儲能發展的指導意見》) (發改能源規[2021]1051號), which set the goal of achieving a cumulative installation volume of 30GWh of ESS by 2025, and achieving the complete market development of new energy storage by 2030. On July 26, 2021, the NDRC issued the Notice on Further Improvement of the Time-of-use Pricing Mechanism (《關於進一步完善分時電價機制的通知》) (發改價格[2021]1093號), which encouraged the use of ESS to reduce the power load in peak hours. On December 21, 2021, the NEA issued the Regulations on Power Grid Connection and Operations (《電力並網運行管理規定》) (國能發監管規[2021]60號), which included electrochemical energy storage and other new energy storage into the management of grid-connected subjects. On March 21, 2022, the NDRC and NEA issued The "14th Five-Year Plan" New Energy Storage Development Implementation Plan (《"十四五"新型儲能發展實施方案》) (發改能源[2022]209號), which set the goal of enhancing the technological performance of electrochemical ESS and reduces the systematic cost by over 30% by 2025, and encouraged to innovate new energy storage business models and explore the application of business models such as shared energy storage, cloud energy storage and energy storage aggregation. In 2020, 2021 and 2022, our revenue generated from sales of ESS battery products amounted to RMB182.1 million, RMB859.5 million and RMB8,400.6 million, representing 20.1%, 40.8% and 57.4% of our total revenue in the same periods, respectively. There is no guarantee that such rules and regulations may not change in the future. Unfavorable policies against the development of new energy storage industry may adversely affect the development of our end customers of ESS battery products and may in return result in adverse impact to our business and results of operations.

We may need to change or adapt our business focuses from time to time in response to the new rules and regulations regarding the end markets of our products, but we may also not be able to do so timely and efficiently. Any new legislations or changes in the PRC regulatory requirements could materially and adversely affect our business, financial condition and results of operations.

We may fail to keep up with rapid technological changes and evolving industry standards.

We mainly manufacture and market lithium-ion batteries. As we believe that the market for lithium-ion batteries has good growth potential, we have focused our R&D activities on exploring new materials and structure to enhance our product quality and features while reducing cost. Some of our competitors are conducting R&D on alternative battery technologies, such as fuel cells and super capacitors, and academic studies are ongoing as to the viability of sulfur and aluminum-based battery technologies. If any viable substitute products emerge and gain market acceptance because they have more enhanced features, more practical applications, more power, more attractive pricing, or better reliability, the market demand for our products may decrease, and accordingly our business, financial condition and results of operations would be materially and adversely affected.

Furthermore, the lithium-ion battery market is characterized by rapid technological changes and evolving industry standards, which are difficult to predict. This, together with the frequent introduction of new products and models, has shortened product life cycles and may render our products obsolete or less marketable. For example, research on the electrochemical applications of carbon nanotechnology and other storage technologies is developing at a rapid pace, and many private and public companies and research institutions are actively engaged in the development of new battery technologies that may bring competitive advantages over the mainstream battery products in the market. If our competitors develop new technologies that we are not able to keep up with, such technologies may provide them with significant performance or price advantages over us and our technology leadership and competitive strengths may be adversely affected.

Our ability to adapt to evolving industry standards and anticipate future standards will be a significant factor in our ability to maintain and improve our competitive position and our prospects for growth. To achieve this goal, we have invested and plan to continue investing significant financial resources in our R&D infrastructure. R&D activities, however, are inherently uncertain, and we may encounter practical difficulties in commercializing our research results. See "– Failure to derive the desired benefits from our product R&D efforts may hurt our competitiveness and profitability." On the other hand, our competitors may improve their technologies or even achieve technological breakthroughs either as alternatives to lithium-ion battery systems or improvements on existing lithium-ion battery systems that would render our products obsolete or less marketable. Therefore, our failure to effectively keep up with rapid technological changes and evolving industry standards by introducing new and enhanced products may cause us to lose our market share and to suffer a decrease in our revenue.

We may face failure or delays in the design and launch of our new products.

The development and launch of new products involve complex efforts and there may be uncertainties at various stages before a product is launched. Any delay in the financing, design, production and eventually the launch of our new products could materially damage our brand, business, prospects, financial condition and results of operations. To the extent that we delay the launch of our new products, our growth prospects could be adversely affected as we may fail to grow our market share, keep up with competing products or satisfy customers' demands or needs. Due to the uncertainty in the market window for the new products, any delay in launch of new products may result in the obsolescence of such products and our investments in developing such products may become sunk costs, which will materially and adversely affect our business, financial position and results of operations.

Our business, financial condition and results of operations may be subject to adverse effect from the risk of customer concentration.

In each of 2020, 2021 and 2022, our revenue from the top five customers for the respective periods was approximately RMB631.8 million, RMB1,075.9 million and RMB5,592.6 million, accounting for 69.7%, 51.0%, and 38.2% of our total revenue during the respective period. During the same periods, our revenue from the largest customer for the respective periods was RMB350.4 million, RMB516.4 million and RMB1,708.3 million, accounting for 38.6%, 24.5% and 11.7% of our total revenue during the respective period. See "Business – Marketing, Sales and Customers – Our Customers."

Despite the fact that we have mitigated the concentration of customers throughout the Track Record Period, as we are in an industry that generally have a high concentration of customers, we may still be affected by risks arising from the customer concentration, especially given that we had a high concentration of customers in 2020. We cannot assure you that our major customers will not diversify their suppliers, change their business scope or business model nor suspend their operation, or they will not encounter any operating or financial difficulties. Any material adverse changes in the business, operation and financial conditions of our major customers may in turn have a material adverse effect on us. There is no assurance that we are able to maintain good relationship with our major customers, or our major customers will continue to have high demands for our products in the future. Under the aforementioned circumstances, if we are unable to identify and acquire suitable new customers within a reasonable period of time, our business, financial condition and results of operation may be materially and adversely affected.

We may experience difficulties in establishing large-scale production capacity and estimating potential cost savings and efficiencies from anticipated improvements to our production capacity.

While our production capacity achieved to date is already at commercial scale, it has not achieved what we expect will be necessary to fully meet the demand we see in the market for our products. The manufacturing process for our expected full commercial scale is still being refined and improved. There are risks associated with scaling up manufacturing to larger commercial volumes, including but not limited to, technical or other problems with process scale-up, process reproducibility, stability issues, quality consistency, timely availability of raw materials, cost overruns, and adequate definitions or qualifications for safety, reliability, and quality. There is no assurance that our production facilities will be successful in establishing a larger-scale commercial manufacturing process that achieves our objectives for production capacity. Moreover, we had experienced low manufacturing efficiency historically. Although our manufacturing efficiency improved from 2020 onward, there is no assurance that we could continue to improve our production efficiency that achieves our targets for optimal unit cost of battery products, in a timely manner or at all. If we are unable to produce sufficient quantities of product on a timely basis and in a cost-effective manner, our commercialization efforts would be impaired which could materially affect our business, financial condition, results of operations, and growth prospects.

Our business is capital intensive. The sources of our future financing can be uncertain, and our working capital can be unstable during certain quarters.

We operate in a capital-intensive industry that requires substantial capital and other long-term expenditures, including expenditures for the purchase of equipment and construction of production facilities. To the extent that we expand or add new production facilities, we expect to fund the related financial commitments and other capital and operating expenses from the [**REDACTED**] from the [**REDACTED**] Investments, banking facilities, and the net [**REDACTED**] from the [**REDACTED**]. However, we cannot assure you that we will be able to generate sufficient cash from our operations or obtain the necessary financing or that such financing will be at interest rates and on other terms that are commercially reasonable and affordable to us or consistent with our expectations. To the extent we cannot obtain financing for our expansion or acquisitions at reasonable costs or at all in the future, our business may be adversely affected. In addition, our expansions require us to make pre-construction preparation and trial production input, as a result, during certain quarters we may incur higher working capital needs that may affect our working capital sufficiency. We cannot assure you that we will not experience any unforeseen circumstances that may adversely affect our working capital in the future. If that happens, our business, financial position, results of operations, prospects may be affected.

Failure to maintain optimal inventory levels could increase our inventory holding costs and cause us to lose sales.

In order to operate our business effectively and meet our consumers' demands and expectations, we must maintain a certain level of inventory to meet the needs of production and ensure timely delivery of our products. As of December 31, 2020, 2021 and 2022, we had inventories of RMB244.6 million, RMB720.7 million and RMB3,245.6 million, respectively. We determine our level of inventory based on our experience, number of orders from customers, assessment of customer demand and fluctuation in prices of raw materials. However, such assessment is inherently uncertain, and the demand for our products could change significantly between the order date and the projected delivery date. We cannot assure you that we are able to always maintain optimal inventory levels in the future. If we fail to accurately assess the demand, we may experience inventory obsolescence and inventory shortage risk. Inventory levels in excess of demand, or substantial decrease in the expected market price of our products, may result in inventory write-downs or write-offs and we may sell the excess inventory at discounted prices, which would have an adverse effect on our profitability. We recorded the provision for impairment losses of inventories of RMB7.2 million as of December 31, 2020. We recorded the provision for impairment losses of inventories of RMB89.8 million as of December 31, 2021, primarily due to the rapid increase in purchase prices of raw materials in 2021 and the fact that we did not manage to adjust the selling prices of our battery products accordingly in a timely manner, which together resulted in the net realizable value of our inventories lower than their costs. We recorded the provision for impairment losses of inventories of RMB65.0 million as of December 31, 2022, primarily due to the fact that certain of our new production lines were still in the ramp-up stage with higher costs, which resulted in the net realizable value of our inventories lower than their costs. Furthermore, if we underestimate the demand for our products, we may not be able to produce a sufficient number of products to meet such unanticipated demand, which could result in delays in the delivery of our products and negatively affect our reputation.

Any of the above may materially and adversely affect our business, results of operations and financial condition. As we plan to continue to expand our production capacities, we may continue to face challenges in effectively managing our inventory.

Our reputation is key to our business success. Negative news or publicity may adversely affect our reputation, business and growth prospects.

Any negative news or publicity in relation to us, or any of our Directors, management, Controlling Shareholders and joint ventures or business partners or counter-parties, or any of their respective affiliates (including, where applicable, any joint venture or business partner or counter-party thereof), among others, whether or not they act on our behalf or otherwise utilize or share our brand name, and even if proven untrue, could adversely affect our reputation, business and growth prospects.

We cannot assure you that such negative news or publicity would not damage our reputation or brand image. Given our specialized industry and market, negative news, publicity and word of mouth could spread quickly and negatively impact our reputation, brand image or relationship with third parties, which could have a material adverse effect on our business, financial condition and results of operations. Even if we are not a party to, not involved in, and not liable to these litigations, disputes and allegations, we cannot assure you that any of such negative news or publicity will not affect our reputation, brand image or relationship with third parties, which could in turn have a material adverse effect on our business, financial condition and results of operations.

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

Good working relationship with our employees across our business lines is crucial to our operations and success. We have not experienced any material work stoppages, strikes or other major labor problems during the Track Record Period. However, there is no assurance that any of such events will not arise in the future. If our employees were to engage in a strike or other work stoppage, we could experience significant disruption of our operations and/or higher on-going labor costs, which may have an adverse effect on our businesses, financial condition and results of operations. As of December 31, 2022, we had 8,885 full-time employees. Some of our employees are currently represented by labor unions. In addition, employees of some of our suppliers or customers may become unionized in the future or experience labor instability and we may not be able to predict the outcome of any future labor negotiations. Any conflicts between us and our employees' labor union or between our suppliers and customers and their respective unions (if any) could have an adverse effect on our financial condition and results of operations.

In 2020, 2021 and 2022, our direct labor costs amounted to RMB71.2 million, RMB174.6 million and RMB499.9 million, representing 8.9%, 7.2% and 3.7% of our total cost of sales, respectively. In addition, labor costs in regions where we operate have generally been increasing in recent years and could potentially continue to increase. If labor costs in these regions continue to increase, our production costs will increase. We may not be able to pass on these increased costs to customers by increasing the selling prices of our products in light of competitive pressure in the markets where we operate. In such circumstances, our profit margin may decrease, which could have an adverse effect on our financial condition and results of operations.

We face risks related to health epidemics, including the COVID-19 pandemic, which could have a material adverse effect on our business and results of operations.

We face various risks related to public health issues, including epidemics, pandemics, and other outbreaks, including COVID-19. The impact of COVID-19, including changes in consumer and business behavior, pandemic fears and market downturns, and restrictions on business and individual activities, has created significant volatility in the global economy and led to reduced economic activity. Specifically, difficult macroeconomic conditions, such as decreases in per capita income and level of disposable income, increased and prolonged unemployment or a decline in consumer confidence as a result of the COVID-19 pandemic, as well as reduced spending by businesses, could have a material adverse effect on the demand for our products.

In response to the COVID-19 pandemic, the PRC government enacted a number of measures, including implementing mandatory quarantine, requiring residents to remain at home and to avoid gathering in public. The COVID-19 pandemic has also resulted in the temporary closure of many corporate offices, retail stores and manufacturing facilities across the country. Particularly, the resurgence of COVID-19 in the PRC in 2022 resulted in extended duration of afore-mentioned measures. While we did not experience material disruptions to our operations during the Track Record Period and up to the Latest Practicable date, there is no assurance that such material disruptions will not materialize in the future. Towards the end of 2022, with the outbreak of Omicron variant in China, the logistics in some regions have been affected to various degrees due to the government control measures in response to the pandemic. As we actively contacted with our suppliers and strategically procured key raw materials in advance according to our production plan, our production activities did not encountered any material disruption, nor was our product delivery. However, we may incur additional costs for dealing with the COVID-19 pandemic, such as the costs of sanitation and purchase of supervisory devices. Government restrictions on movement within the PRC had been relaxed as of the Latest Practicable Date, but there may be uncertainty as to the future progress and impact of the pandemic and thus, we may still be subject to operational restrictions. See "Financial Information – Significant Factors Affecting Our Results of Operations – The Impact of COVID-19."

Moreover, the COVID-19 pandemic could limit the ability of our customers, suppliers, vendors and business partners to operate in the ordinary course, including third party suppliers' ability to provide raw materials and components used in our products. We may also experience an increase in the cost of raw materials used in our commercial production. Even after the COVID- 19 pandemic has subsided, we may continue to experience an adverse impact to our business as a result of its global economic impact, including any recession that has occurred or may occur in the future.

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

We depend on the supply of energy to maintain our production processes. Our production volume and production costs are affected by price and supply of energy. The prices of energy are subject to a number of factors which may be beyond our control, including inflation, supplier capacity constraints, general economic conditions, commodity price fluctuations, demand from other industries for energy, power consumption policies and local and national regulatory requirements. Significant increase in energy prices may have a material effect on our profitability and result in decrease of our profit margin, if we are unable to adjust the price of our products and pass such increased costs to our customers accordingly. Moreover, if the supply of energy is affected by natural disasters, adverse weather conditions, suppliers' equipment failures, disruptions in transport or other inclement factors, we may not be able to identify and secure alternative sources of supply and/(or) at acceptable prices. We cannot assure you that unexpected and serious shortages of energy will not occur in the future. Any disruption in the supply of energy or fluctuation in energy prices may have a material adverse effect on our business, financial condition and results of operations.

Our facilities or operations could be damaged or adversely affected as a result of natural disasters and other catastrophic events.

Our facilities or operations could be adversely affected by events outside of our control, such as natural disasters, wars, health epidemics such as the ongoing COVID-19 pandemic, and other calamities. We cannot assure you that any backup systems will be adequate to protect us from the effects of fire, floods, typhoons, earthquakes, power loss, telecommunications failures, break-ins, war, riots, terrorist attacks or similar events. Any of the foregoing events may give rise to interruptions, breakdowns, system failures, technology platform failures or internet failures, which could cause the loss or corruption of data or malfunctions of software or hardware as well as adversely affect our ability to produce our products and provide services.

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

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

We may experience delays and/or failures in obtaining and renewing relevant PRC governmental approvals, licenses, permits or others required for our new construction/expansion projects.

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

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

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

In addition, we incorporate components manufactured by third parties into our products. If there are quality issues with respect to these third-party components included in our battery products, we may not discover the issue until after our products have been shipped and installed. In addition, we may have little or no recourse against these third-party suppliers arising out of warranty claims made by our customers. If the components manufactured by third parties could not satisfy our specification and quality standards, or if there is any delay in delivering such components to us on time which may in turn delay our shipments of products, our business, reputation and results of operations may be materially and adversely affected.

Our battery packs (including battery boxes, battery racks and energy storage containers for ESS packs) rely on software and hardware that are highly technical. If these systems contain errors, bugs or vulnerabilities, or if we are unsuccessful in addressing or mitigating technical limitations in our systems, our business could be adversely affected.

Besides battery cells, we also produce battery packs (including battery boxes, battery racks and energy storage containers for ESS packs). Such products rely on software and hardware battery management systems that are highly technical and complex and will require modification and upgrades over their service life. In addition, certain of our products depend on the ability of such software and hardware to store, retrieve, process and manage immense amounts of data. Such software and hardware may contain errors, bugs, design defects or vulnerabilities, and the systems are subject to certain technical limitations that may compromise our ability to meet the designed objectives. Some errors, bugs or vulnerabilities inherently may be difficult to detect and may only be discovered after the code has been released for external or internal use. Although we attempt to remedy any issues that we are able to identify in our products as effectively and promptly as possible, such efforts may not be timely, may hamper production, or may not be to the satisfaction of our customers. If we are unable to prevent or effectively remedy errors, bugs, vulnerabilities or defects in our software and hardware, we may suffer damage in relation to our brand and reputation, loss of customers, loss of revenue or liability for damages, any of which could adversely affect our business and results of operations.

We may face challenge from new power systems that could be applied to the end products where our batteries are used.

EV batteries are a core component of EVs, and is one of our major source of revenue and focuses in future business development. Benefiting from the growth of global EV market, the global EV battery market gained a steady growth with the annual installation growing from 63.8GWh in 2017 to 504.5GWh in 2022, representing a CAGR of 51.2%, which is further expected to grow to 2,597.1GWh in 2027, representing a CAGR of 38.8% from 2022 to 2027, according to the F&S Report. However, there is no assurance that there would not be a development of power system for EVs that could replace lithium-ion batteries and thus make obsolete all of our EV battery products. In addition, new types of vehicles may emerge and ultimately replace EVs. In the event that new power system is to replace lithium-ion batteries, or new types of vehicles emerge to replace EVs, our business, financial condition and results of operations would be adversely affected.

We face risks associated with the international operations and sales of our products, and if we are unable to effectively manage these risks, our business and financial condition and results of operations may be materially and adversely affected.

While we generated over 95% of our total revenue during the Track Record Period from sales to customers located in the PRC, we also made sales to overseas customers in countries such as Indonesia, Australia, Turkey and France, as well as system integrators who may incorporate our battery products and sell their end-products overseas. See "Financial Information – Revenue – Revenue by Region." While we expect the PRC will continue to be our primary market, we may expand the sales of our products overseas, which will expose us to a number of risks, including, but not limited to:

- fluctuations in foreign currency exchange rates;
- increased costs associated with maintaining the ability to understand the local markets and develop and maintain effective marketing and distributing presence in various countries;
- providing customer service and support in these markets;

- difficulty with staffing and managing overseas operations;
- failure to develop and implement appropriate risk management and internal control structures tailored to overseas operations;
- difficulty and cost relating to compliance with different commercial and legal requirements of the overseas markets in which we offer or plan to offer our products;
- failure to obtain or maintain permits for our products or services in these markets;
- different safety concerns and measures needed to address accident related risks in different countries and regions;
- inability to obtain, maintain or enforce intellectual property rights;
- unanticipated changes in prevailing economic conditions and regulatory requirements; and
- trade barriers such as export requirements, tariffs, taxes and other restrictions and expenses.

Moreover, we intend to establish overseas production facilities in the future. The success of our overseas expansion plans depends on whether we could adequately, timely and effectively address the risks associated with overseas operations, such as failure to adopting different legal framework and government policies, restrictions or requirements relating to foreign investments, non-compliance with the requirements of applicable sanctions, anti-bribery and related laws and regulations, failure to protect our reputation from negative publicity against us, and limitations on ability of non-nationals to reside and work in such countries. We may not be able to develop and implement policies and strategies that will be effective in each location where we do business. A change in one or more of the factors described above may have a material adverse effect on our business, financial condition and results of operations.

The current tensions in international trade and rising political tensions may adversely impact our business, financial condition, and results of operations.

Some jurisdictions or organizations have through executive order, legislation or other governmental means, implemented measures that impose economic sanctions, export or import controls against certain countries or regions or against targeted industry sectors, groups of companies or persons, and or organizations. Such sanctions law and regulations are likely subject to frequent changes, and their interpretation and enforcement involves substantial uncertainties, which may be heightened by national security concerns or driven by political and/or other factors that are beyond our control. Therefore, such restrictions, and similar or more expansive restrictions that may be imposed by sanctions authorities in the future, may adversely affect our ability to work with certain existing and future customers and suppliers, which in turn could negatively affect our business. Furthermore, our association with customers, suppliers or other relevant parties that are or become subject to such restrictions could subject us to actual or perceived reputational harm, which could materially and adversely affect our business relationships business, financial condition, results of operations or prospects.

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

We are subject to anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions, and similar laws and regulations in various jurisdictions in which we conduct activities. We have adopted policies and procedures designed to ensure compliance with applicable anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions, and similar laws and regulations. However, our policies and procedures may not be sufficient, and our directors, officers, employees, representatives, consultants, agents, and business partners could engage in improper conduct for which we may be held responsible.

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

The success of our business depends on our ability to attract, train and retain highly skilled employees and key personnel.

As a result of the highly specialized, technical nature of our business, we must attract, train and retain a sizable workforce comprising highly-skilled employees and other key personnel. If one or more of our highly skilled employees or key personnel were unable or unwilling to continue their services with us, we might not be able to replace them easily, in a timely manner, or at all. Moreover, our industry is characterized by high demand and intense competition for talent, we may have to pay higher salaries and wages and provide greater benefits in order to attract and retain highly-skilled employees or other key personnel that we will need to achieve our strategic objectives. As we are still a relatively young company, our ability to recruit, train and integrate new employees into our operations may not meet the growing demands of our business. Our failure to attract, train or retain highly-skilled employees and other key personnel in numbers that are sufficient to satisfy our needs would materially and adversely affect our business and the results of operations. Staff that we are unable to retain also pose a risk, since they can inform competitors of our commercially sensitive information such as know-how and may lessen the technological advantages over our competitors that we have developed.

We may face risks in relation to the joint ventures. Our results of operations may be affected by the share of results of our joint ventures and we may be subject to related liquidity risk if no dividend is declared to us.

We have, and may have more, interests in many joint ventures engaging in battery products and related raw materials manufacturing business. As of the December 31, 2020, 2021 and 2022, we had investments in joint ventures of nil, nil and RMB132.4 million, respectively. Although the Company has majority shareholdings in, and control over, the board of some of our existing joint ventures, certain important resolutions of these joint ventures, including (i) the amendments to articles of association; (ii) the termination and dissolution of the joint ventures; (iii) the transfer of any interests in the joint ventures; or (iv) the merger of the joint ventures with other economic entities, must be passed by unanimous approval of the joint venture partners. Such joint ventures may involve special risks, including but not limited to the possibility that the joint venture partner may (i) have economic or business objectives that are inconsistent with ours; (ii) experience financial difficulties; or (iii) be unable or unwilling to fulfill their obligations under the joint venture contracts. If any of the above risks materialized in the future, our relationship with those joint venture partners and the related joint venture business may be adversely affected, which in turn would affect our business, financial condition and results of operation.

In addition, our results of operations may be affected by the fluctuation in the share of results of our joint ventures. In 2022, we recorded share of losses of joint ventures of RMB1.6 million. Any losses our joint ventures record would negatively impact the results of our operations. Our investment in joint ventures creates exposure to liquidity risk. Our investments in joint ventures are not as liquid as other investment products as there is no cash return in our investment until dividends are received, even if our joint ventures reported profits under equity accounting. If there is no or negative share of profit from our joint ventures, or if we do not receive any dividends, our financial condition or result of operations could be adversely affected. Moreover, as we plan to continue to invest in our existing and future joint ventures for the expansion of our business, our liquidity may be further restricted if we need to make additional investments into the joint ventures or if we are not able to receive dividends from our existing or future joint ventures, which could adversely affect our ability to conduct or expand our business.

We may be involved in legal or other proceedings arising out of our operations from time to time and may face reputational risks and significant liabilities as a result.

We may be involved from time to time in disputes with various parties involved in our business operations, including but not limited to our customers, suppliers, employees, logistics service providers, insurers and banks. These disputes may lead to legal or other proceedings, which may result in damages to our reputation, substantial costs and diversion of our resources and management's attention. In addition, we may encounter additional compliance issues in the course of our operations, which may subject us to administrative proceedings and unfavorable results, and result in liabilities and delays relating to our production or product launch schedules. We cannot assure you as to the outcome of such legal proceedings, and any negative outcome may materially and adversely affect our business, financial condition and results of operations.

We may be involved in product liability claims, and our product liability insurance may not be sufficient to cover potential liability from product liability claims.

Designing, manufacturing and sales of quality products that are safe and reliable is of vital importance to our business. However, the lithium-ion battery can rapidly release the energy they contain by venting smoke and flames in a manner that can ignite nearby materials as well as other lithium-ion batteries. This faulty result could subject us to lawsuits of product liability claims, product recalls, or redesign efforts, all of which would be time consuming and expensive. A successful product liability claim against us could require us to pay for substantial damages. Product liability claims against us, whether or not successful, are costly and time-consuming to defend. In the event that our products prove to be defective, we may be required to redesign or recall such products. We cannot assure you that a product liability claim will not be brought against us in the future. A product liability claim, with or without merit, could result in significant adverse publicity against us, and could have a material adverse effect on the marketability of our products and our reputation, which in turn, could have a material adverse effect on our business, financial condition and results of operations. Moreover, we may not be fully indemnified or indemnified at all if liabilities arise from faulty components manufactured by our suppliers that are used in our products, or results from the faulty assembly by our EV manufacturer customers or ESS integrators.

Our product liability insurance to cover liabilities arising from product liability claims and product recalls in the PRC may not be sufficient to cover potential liability claims. Inability to obtain sufficient insurance coverage at an acceptable cost or otherwise to protect against potential product recalls and product liability claims could prevent or inhibit the commercialization of our products or could result in a loss of customers and decrease in revenue, unexpected expenses and a loss of market share. If any of our products are found to have reliability, quality or compatibility problems, we will be required to accept returns, provide replacements, provide refunds, or pay damages. We cannot assure you that as we continue distribution of our products, we will be able to obtain or maintain adequate insurance coverage on acceptable terms, or that such insurance will provide adequate coverage against all potential claims. In the event that our exposure to liabilities exceeds the coverage of our insurance, we may still be required to incur substantial amounts, which would materially and adversely affect our business, financial condition and results of operations.

We may not have adequate insurance to cover losses and liabilities arising from various operational risks and hazards.

Our business is subject to a variety of operational risks, including but not limited to production disruptions due to operational errors, power outages, equipment failures and suspension due to other risks; operational restrictions imposed by environmental or other regulatory requirements; social, political and labor unrest, environmental or industrial accidents, and catastrophic incidents such as fires, earthquakes, explosions, floods or other natural disasters. In addition, as we may further expand our operations in overseas markets in the future, we may be exposed to risks related to geopolitical tensions, policy changes and intellectual property and technology protection. These afore-mentioned risks may result in, including but not limited to, damage to or destruction of production facilities, personal injury or casualties, environmental damage, monetary loss, and legal liability. The occurrence of any of these events may result in disruption of our operations and cause us to suffer substantial losses or incur significant liabilities. We may not have adequate or any insurance to cover these operational risks. In addition to product liability insurance, we maintain property insurance and employee insurance for our business operations. There is no assurance that our insurance will be adequate to cover our exposure to the foregoing risks. If we incur material losses or liabilities, and insurance is not adequate to cover such losses or liabilities, our business, financial condition and results of operations may be materially and adversely affected.

We may incur significant costs because of the warranties we provide with our products, and our provisions to cover future potential claims under our product warranties may be insufficient.

For EV battery products, we usually provide our customers with a warranty of 8 years or 120,000 kilometres for private passenger vehicles, and 5 years or 200,000 kilometres for commercial passenger vehicles; for ESS battery products, the warranty period varies on clients' needs. We usually provide our customers with a warranty period of 1-5 years for ESS battery cells, and the warranty period for ESS battery module and systems is generally longer. See “Business – Marketing, Sales and Customers – Sales Agreements.” We provide a provision for these potential warranty expenses, which is based on an analysis of the Group's recent claims, past warranty data and the weight of all possible results and their related probabilities. In 2020, 2021 and 2022, our provisions for product warranty were RMB20.1 million, RMB36.7 million and RMB239.1 million, respectively. As we continue to upgrade our products design and introduce new models, there is no assurance that future warranty claims will be consistent with past history, and in the event that we experience a significant increase in warranty claims, there is no assurance that our provision will be sufficient. This could have a material adverse effect on our business, financial condition and results of operations.

We recorded net current liabilities as of December 31, 2020 and 2021, which might expose us to certain liquidity risks and could constrain our operational flexibility.

We recorded net current liabilities of RMB967.2 million and RMB2,556.4 million as of December 31, 2020 and 2021, respectively, primarily for our due to our related parties. See “Financial Information – Liquidity and Capital Resources.” We cannot assure you that we will not have net current liabilities in the future. A net current liabilities position exposes us to liquidity risks. Our future liquidity, capital expenditures, the payment of trade and other payables and the repayment of debt financing will primarily depend on our ability to generate an adequate cash flow from our operating activities. If we have a shortage in the cash flow generated from operations, our liquidity position may be materially and adversely affected, which in turn may impact our ability to execute our business strategies and constrain our business operation. See “– We recorded net operation cash outflow in the past, and our liquidity, financial condition and prospects may be adversely affected if we continue to record net operating outflow in the future.” In such event, our business, financial condition and results of operations could be materially and adversely affected.

We recorded net operation cash outflow in the past, and our liquidity, financial condition and prospects may be adversely affected if we continue to record net operating outflow in the future.

In 2021 and 2022, we recorded net cash outflow from operating activities of RMB1,957.3 million and RMB2,230.5 million, respectively. See "Financial Information – Liquidity and Capital Resources – Cash Flow." There is no assurance that we will generate net cash inflows from our operating activities in the future. In the event that we are unable to generate sufficient cash flow for our operations or otherwise unable to obtain sufficient funds to finance our business, our liquidity, financial condition and prospects may be adversely affected. We cannot assure you that we will continue to have sufficient cash from other sources to fund our operations. If we resort to other financing activities to obtain additional cash, we will incur additional financing costs, and we cannot assure you that we will be able to obtain financing to satisfy our needs of cash flow on terms acceptable to us, or at all.

We may not be able to timely fulfill our obligations in respect of contract liabilities to our customers or at all.

Our contract liabilities comprise advances received from our customers. We typically require some of our customers to pay part of the consideration for their purchases from us upon or prior to the delivery of the products. As of December 31, 2020, 2021 and 2022, we had contract liabilities of RMB8.9 million, RMB158.5 million and RMB184.4 million, respectively. See "Financial Information – Liquidity and Capital Resources – Contract Liabilities." Our recognition of contract liabilities as revenue is subject to future performance of contract obligations and may not be representative of revenue for future periods. The continued operation of our production facilities may be substantially interrupted and materially and adversely affected due to a number of factors, many of which may be beyond our control. As a result of disruption to any of our production facility or any problems in manufacturing our products, we may fail to fulfill our contract obligations or meet market demand for our products, and our results of operations, liquidity and financial position could be adversely affected.

Share-based payments may lead to shareholding dilution for our existing Shareholders and adversely affect our financial performance.

We adopted share incentive schemes for the benefit of our Directors, senior management, key technicians and key employees who, in the opinion of the Board, contribute directly to the overall business performance and sustainable development of the Group. See note 31 to "Appendix I – Accountants' Report" and "The Share Incentive Scheme" in "Appendix VI – Statutory and General Information." In 2020, 2021 and 2022, we incurred share incentive expense of nil, RMB42.6 million and RMB133.6 million, respectively. To further incentivize our Directors, senior management, key technicians and key employees, we may pay additional share-based payment in the future. Issuance of Shares with respect to such share-based payment may dilute the shareholding percentage of our existing Shareholders. Such share-based payments may also increase our expenses and therefore have a material and adverse effect on our financial performance.

Our financial result may be affected by government grants.

We received government grants of RMB21.9 million, RMB42.6 million and RMB153.8 million in 2020, 2021 and 2022, respectively. Not all of the government grants are recurring in nature. See "Financial Information – Principal Components of Statement of Profit or Loss and Other Comprehensive Income – Other Income and Gains." Government grants we received are uncertain and are subject to certain criteria and procedures stipulated by the local government. In addition, the development focus of local government may shift to other industries over time. We cannot assure you that we will be able to receive any such government grants in the future. If we are unable to receive the government grants in the future at the same level as we had during the Track Record Period, our financial condition and results of operations for the period may be adversely affected.

If we are unable to fully recover our contract assets, our liquidity and financial position may be adversely affected.

During the Track Record Period, we recorded contract assets from the sales of products, the receipt of the consideration of which is conditional. Contract assets will be transferred to receivables upon the expiration of warranty period when we have unconditional right to receive consideration from the customers. As of December 31, 2020, 2021 and 2022, we had contract assets of RMB6.7 million, RMB20.9 million and RMB113.4 million. See note 20 to the "Appendix I – Accountants' Report." We cannot assure you that the financial position of our customers will remain solvent or that we will be able to recover our contract assets in full or at all in the future. If we are unable to recover our contract assets, our liquidity and financial position may be materially and adversely affected, in particular as we have already incurred costs and expenses when conducting preliminary research and development for products and producing such products.

We may need to provide impairment losses for intangible assets, which could negatively affect our results of operations and financial condition.

We had intangible assets of RMB6.7 million, RMB10.3 million and RMB28.8 million as of December 31, 2020, 2021 and 2022, respectively. Our intangible assets mainly consist of software, emission rights and research and development costs. See note 2.3 and 15 to "Appendix I – Accountants' Report."

However, the intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the carrying value of our intangible assets is considered to exceed its recoverable amount and is therefore determined to be impaired in the future, we would be required to write down the carrying value or record a provision of impairment loss for these intangible assets in our financial statements during the period in which our intangible assets are determined to be impaired, and this impairment would adversely affect our results of operations and our financial condition. While we did not recognize impairment loss for intangible assets during the Track Record Period, we cannot assure you that there will be no such losses in the future, which could adversely affect our results of operations and financial conditions.

We may recognize impairment loss on our prepayments, other receivables and other assets.

We recorded prepayments, other receivables and other assets of approximately RMB131.2 million, RMB1,245.8 million and RMB1,325.1 million as of December 31, 2020, 2021 and 2022, respectively. During the Track Record Period, our prepayments, other receivables and other assets primarily consisted of (i) prepayment for raw materials, (ii) value-added-tax recoverable, and (iii) deposits and other receivables which includes capitalized [**REDACTED**] expenses. See "Financial Information – Selected Balance Sheet Items – Prepayment, Other Receivables and Other Assets" and note 17 to "Appendix I – Accountants' Report." Although these financial assets included in the above balances related to receivables had no recent history of material defaults, and as of December 31, 2020, 2021 and 2022, the loss allowance for such balances was all nil, we cannot assure you that there would not be any impairment charges on our prepayments, deposits or other receivables in the future. If we record impairment losses on such balances in the future, our business, financial condition and results of operations may be materially and adversely affected.

Fair value change of financial assets at fair value through profit or loss may affect our results of operations.

Fluctuation in fair value change of our financial assets at fair value through profit or loss, which primarily consist of wealth management products issued by commercial banks in Mainland China. As of December 31, 2020, 2021 and 2022, we had financial assets at fair value through profit or loss of RMB50.5 million, nil and RMB17.2 million, respectively. Changes in the fair value of the wealth management products are reflected in our consolidated statement of profit or loss. See note 21 to "Appendix I – Accountants' Report." The methodology that we use to assess the fair value of our investments in wealth management products involve a significant degree of management judgment and are inherently uncertain. We cannot assure you that market conditions and regulatory environment will create fair value gains on the wealth management products we invest in or that we will not incur any fair value losses on our investments in wealth management products in the future. If we incur such fair value losses, our results of operations, financial condition and prospects may be adversely affected.

The uncertainty in global economic conditions could negatively affect our operating results.

Our operating results are directly affected by the general global economic conditions of the industries in which our major customer groups operate. Some of our business segments are highly dependent on the economic and market conditions in each of the geographic areas in which we operate. The uncertainty in global economic conditions varies by geographic segment and can result in substantial volatility in global credit markets. Credit volatility could impact our working capital for manufacturing, or result in cost changes or interruptions to suppliers whose components we rely upon if we are unable to access the needed credit for our operations. These conditions affect our business by reducing prices that our customers may be able or willing to pay for our products or by reducing the demand for our products, which could in turn negatively impact our sales and result in a material adverse effect on our business, cash flow, results of operations and financial condition.

The supply restrictions, trade controls or sanctions on semiconductor chips or other major components of EVs may disrupt the operations of our end customers and in turn adversely affect our business, results of operations, and financial condition.

The installation/application of semiconductor chips on EVs are common in the EVs industry, as such component is often applied to facilitate vehicle electrification and safety and driver assistance. Since late 2020, there has been a global shortage in the supply of semiconductor chips for automotive production resulting from the COVID-19 pandemic, increased demand for consumer electronics and disruption in semiconductor chip production due to labor shortage and severe weather. Moreover, there are various sanctions and export controls related to the trade of advanced semiconductor being announced or implemented, which have also affected the supply of semiconductor chips globally. There is no assurance that our downstream customers (i.e. EV manufacturers) will be able to obtain sufficient quantities of semiconductor chips and other major components for their operations at a reasonable cost, or at all. Also, while to the best of our knowledge, our downstream customers did not experience any supply restrictions or trade controls, or are subject to sanctions related to semiconductor chips or other major components which materially affected their business during the Track Record Period and up to the Latest Practicable Date, there is no assurance that they will not be materially affected by supply restrictions, trade controls or sanctions on semiconductor chips or other major components in the future. If suppliers of semiconductor chips and other major components are unable to meet the needs of our downstream customers on acceptable terms, or at all, our downstream customer's production and delivery could be disrupted, which in turn, could have an adverse effect on our business, results of operations and financial condition.

We depend on information technology and other infrastructure that are exposed to certain risks, including cyber security risks.

We rely on our computer systems and network infrastructure to conduct and monitor the daily operations of our manufacturing facilities, and to collect accurate up-to-date financial and operating and other transaction data for business analysis. We also rely on such systems and infrastructure to collect, process and store data concerning our customers, business partners and employees, including personal and transaction data. Therefore, our business is dependent upon the continued maintenance and enhancement of our computer systems and network infrastructure. Such systems and infrastructure are subject to certain risks, such as malfunction, nature disasters, and also the cyber security risks. Although we have devoted significant resources to develop our security measures against cyber security issues, our cybersecurity measures may not detect or prevent all attempts to compromise our systems, including distributed denial-of-service attacks, viruses, malicious software, break-ins, phishing attacks, social engineering, security breaches or other attacks and similar disruptions that may jeopardize the security of information stored in and transmitted by our systems or that we otherwise maintain. Breaches of our cybersecurity measures could result in unauthorized access to our systems, misappropriation of information or data, deletion or modification of customer information, or a denial-of-service or other interruption to our business operations. In cases of ransomware attacks, we may be asked to make a large lump-sum payment in order to resume the operation of our system, which may materially and adversely impact our business and financial condition. As techniques used to obtain unauthorized access to or sabotage systems change frequently and may not be known until launched against us or our third-party service providers, we may be unable to anticipate, or implement adequate measures to protect against these attacks. There is no assurance that we will not be subject to any of those cyber security issues in the future. Any failure to adequately deal with such issues would result in a material and adverse effect on our business and results of operations.

Our risk management and internal control systems, as well as the risk management tools available to us, may not fully protect us against various risks inherent in our business.

We have implemented risk management and internal control systems, and adopted risk management tools available to us with respect to our business operations. However, there is no assurance that our risk management, internal control systems and risk management tools are adequate or effective to fully protect us against the potential risks inherent in our business. In the event that we fail to identify and deal with any potential risks or internal control deficiencies, our business, results of operations and prospects may be materially and adversely affected.

Further, the successful implementation of our risk management and internal control systems depends on our management, employees and subcontractors. There is no assurance that our management, employees and subcontractors will strictly observe and adhere to relevant measures and policies. There is also no assurance that our management, employees and subcontractors will be able to carry out relevant measures and policies without human errors or mistakes. In addition, as our business expands, we may have to adopt and modify our risk management and internal control measures and policies in a timely manner in response to our business growth. Failure to do so may result in material and adverse effect on our business and results of operations.

RISKS RELATING TO DOING BUSINESS IN THE PRC

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

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

- during a period of economic slowdown, there is a greater likelihood that more of our customers or contractual parties could become delinquent in respect of their obligations to us;

- we may not be able to raise additional capital on favorable terms, or at all; or

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

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

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

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

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

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

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

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

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

Pursuant to the EIT Law, a high and new-technology enterprise may enjoy a preferential enterprise income tax rate of 15%. The Company and two subsidiaries of the Company, namely REPT Qingchuang and BatteroTech Shanghai, received approvals by competent government authorities, and were recognized as high and new-technology enterprises with a validity period of three years, which entitled the Company, REPT Qingchuang and BatteroTech Shanghai a preferential tax rate of 15% from 2020 to 2022, 2021 to 2023 and 2022 to 2024, respectively.

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

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

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

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

Provided in our Articles of Association, whenever any disputes or claims arise between holders of the overseas listed shares and the Company, holders of the overseas listed shares and the Company's Directors, Supervisors, general manager or other Senior Management, or holders of the overseas listed shares and holders of domestic shares, based on the Articles of Association or any rights or obligations conferred or imposed by the Company Law or any other relevant laws and administrative regulations concerning the affairs of the Company, such disputes or claims shall be referred by the relevant parties to arbitration. A claimant may elect arbitration at either the China International Economic and Trade Arbitration Commission in accordance with its arbitration rules or the Hong Kong International Arbitration Center in accordance with its securities arbitration rules. See "Appendix V – Summary of the Articles of Association." Awards made by the PRC arbitral authorities recognized under the Hong Kong Arbitration Ordinance can be enforced in Hong Kong. Hong Kong arbitral awards are also enforceable in the PRC, subject to the satisfaction of certain PRC legal requirements. However, we are uncertain whether any action brought in the PRC to enforce an arbitral award made in favor of holders of H Shares would succeed.

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

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

Failure to comply with the PRC Social Insurance Law and the Regulation on the Administration of Housing Provident Funds may subject us to fines and other legal or administrative sanctions.

Pursuant to the PRC laws and regulations, we are required to participate in the employee social welfare plan administered by local governments. Such plan consists of pension insurance, medical insurance, work-related injury insurance, maternity insurance, unemployment insurance and housing provident fund. The amount we are required to contribute for each of our employees under such plan should be calculated based on the employee's actual salary level of previous year, and be subject to a minimum and maximum level as from time to time prescribed by local authorities. During the Track Record Period, we did not pay social insurance and housing provident fund in full for some of our employees based on their actual salary level. See "Business – Compliance and Legal Proceedings." As a result, we may be required by competent authorities to pay the outstanding amount, and could be subject to late payment penalties or enforcement application made to the court. We have made provisions in the amount of RMB0.9 million, RMB22.1 million and RMB78.1 million in 2020, 2021 and 2022, respectively, for the shortfall of contribution to social insurance fund. As of the Latest Practicable Date, no competent government authorities had imposed administrative action, fine or penalty to us with respect to this non-compliance incident nor had any competent government authorities required us to settle the outstanding amount of social insurance payments and housing provident fund contributions. As advised by our PRC Legal Advisor, the non-compliance during the Track Record Period in relation to the payment of social insurance and housing provident fund will not have material adverse effects on our production and business operations.

The enforcement of PRC Labor Contract Law and other labor related regulations may materially affect our business, financial condition and results of operations.

Pursuant to the Labor Contract law of the PRC and its implementation rules, employers are subject to strict requirements in terms of signing labor contracts, minimum wages, paying remuneration, overtime working hours limitations, determining the term of employees' probation and unilaterally terminating labor contracts. In the event that we decide to terminate the employment of some of our employees or otherwise change our employment or labor practices, the Labor Contract Law and its implementation rules may limit our ability to effect those changes in a desirable or cost-effective manner, which could adversely affect our business and results of operations. As confirmed by our PRC Legal Advisor, based on the confirmation letters issued by the competent government authorities, we were not subject to any significant administrative penalties for violating labor laws and regulations during the Track Record Period. However, if we were found to be in violation with the overtime working hours limitations as stipulated in the Labor Law of the PRC, it may subject us to a fine that ranges from RMB100 to RMB500 per person from local government authorities and we may be requested to take rectification measures to reduce the overtime working hours of our production employees.

During the Track Record Period, we engaged third-party employment agencies to dispatch contract workers. On December 28, 2012, the Labor Contract Law of the PRC (中華人民共和國勞動合同法) was amended to impose more stringent requirements on labor dispatch and such amendments became effective on July 1, 2013. For example, the number of dispatched contract workers that an employer hires may not exceed a certain percentage of its total number of employees, to be decided by the Ministry of Human Resources and Social Security and the dispatched contract workers may only engage in temporary, auxiliary or substitute work. According to the Interim Provisions on Labor Dispatch promulgated by the Ministry of Human Resources and Social Security on January 24, 2014, which became effective on March 1, 2014 (the "**Interim Provisions**"), the number of dispatched contract workers hired by an employer shall not exceed 10% of the total number of its employees (including both directly hired employees and dispatched contract workers). The Interim Provisions further requires the employer that is not in compliance with the above provisions to formulate a plan to reduce the number of its dispatched contract workers to below 10% of the total number of its employees. In addition, an employer is not permitted to hire any new dispatched contract worker until the number of its dispatched contract workers has been reduced to below 10% of the total number of its employees. The employers who fail to comply with the relevant requirements on labor dispatch shall be ordered by the labor administrative authorities to make correction within a stipulated period. Where correction is not made within the stipulated period, the employers may be subject to a penalty ranging from RMB5,000 to RMB10,000 per dispatched worker exceeding the 10% threshold. During the Track Record Period, the total dispatched contract workers hired by the Company have exceeded 10% of its total number of employees. As of the Latest Practicable Date, we had proactively rectified such non-compliance incidents during the Track Record Period by reducing the number of dispatched contract workers to below 10%. See "Business – Compliance and Legal Proceedings – Labor Dispatch." Even though we had not received any notice of warning or been subject to any administrative penalties or other disciplinary actions from relevant PRC authorities, we cannot assure you that the relevant PRC authorities will not take actions retrospectively against us for our past practice. If we decide to increase our number of dispatched workers in the future and are found to be in violation of the rules regulating dispatched contract workers, we may be subject to fines and penalties. Such penalties may adversely affect our business, results of operations and reputation.

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

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

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

In addition, our manufacturing process produces pollutants such as wastewater, waste gas. The discharge of wastewater and other pollutants from our manufacturing operations into the environment may give rise to liabilities that may require us to incur costs to remedy such discharge. We cannot assure you that all situations that will give rise to material environmental liabilities will be discovered or any environmental laws adopted in the future will not materially increase our operating costs and other expense. Should the PRC impose stricter environmental protection standards and regulations in the future, we cannot assure you that we will be able to comply with such new regulations at reasonable costs, or at all. Any increase in production costs resulting from the implementation of additional environmental protection measures and/or failure to comply with new environmental laws or regulations may have a material adverse effect on our business, financial condition or results of operations. In 2020, 2021 and 2022, the costs we incurred for complying with the requirements of the relevant environmental laws and regulations and our expenditures related to environmental protection amounted to approximately RMB19.2 million, RMB10.3 million and RMB27.1 million, respectively.

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

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

Our legal right to some leased properties may be challenged.

As of the Latest Practicable Date, we had signed 20 property lease agreements in the PRC in respect of 20 leased units/buildings relating to our production and operations with a total area of 38,963.02 sq.m, among which four of the above-mentioned leased agreements in respect of four units of lease properties have not provided the property ownership certificates, and 19 of the above-mentioned lease agreements have not been registered and filed with the relevant PRC authorities in accordance with PRC laws and regulations. See "Business – Properties – Leased Properties." We cannot guarantee that the landlords from whom we leased such properties have the right to lease such properties to us. The relevant rightful title holders or other third parties may challenge our use of such leased properties and we may be required to seek alternative properties for lease on short notice. However, we may not be able to find alternative properties that are suitable for our use in a timely manner and at reasonable costs, or at all. Furthermore, as advised by our PRC Legal Advisor, we may be subject to penalties of RMB1,000 to RMB10,000 for each of the above-mentioned non-registered lease should we and our landlords fail to register the lease agreements upon request by the relevant authority.

RISKS RELATING TO THE [REDACTED]

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

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

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

- variations in our revenue, earnings and cash flow;
- unexpected business interruptions resulting from natural disasters or power shortages;
- major changes in our key personnel or senior management;
- our inability to obtain or maintain regulatory approval for our operations;
- our inability to compete effectively in the market;
- political, economic, financial and social developments in China and Hong Kong and in the global economy;
- fluctuations in stock market prices and volume;
- changes in analysts' estimates of our financial performance; and
- involvement in material litigation.

Moreover, shares of other companies listed on the Stock Exchange with operations and assets in China have experienced significant price volatility in the past. It is possible that our H Shares may be subject to changes in price not directly related to our performance and as a result, investors in our H Shares may suffer substantial losses.

Holders of our H Shares are subject to the risk that the price of our H Shares could fall during the period before trading of our H Shares begins.

The [**REDACTED**] of our H Shares is expected to be determined on the [**REDACTED**]. However, our H Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be several business days after the pricing date. As a result, investors may not be able to sell or deal in our H Shares during that period. The price and trading volume of the H Shares may be highly volatile. Factors such as variations in our revenue, net profit and cash flows and announcements of new investments, strategic alliances and acquisitions, fluctuations in market prices for our products or fluctuations in market prices for product of other companies could cause the market price of our H Shares to change substantially. Any such developments may result in significant and sudden changes in the volume and price at which our H Shares will trade. We cannot assure you that these developments will not occur in the future. Accordingly, holders of our H Shares are subject to the risk that the price of our H Shares could fall before trading begins as a result of adverse market conditions or other adverse developments, which could occur between the time of sale and the time trading begins.

Substantial future sales or the expectation of substantial sales of our H Shares in the public market could cause the price of our H Shares to decline.

Although our Controlling Shareholders are subject to restrictions on their sales of Shares within 12 months from the [**REDACTED**] as described in "[**REDACTED**]" in this Document, future sales of a significant number of our H Shares by our Controlling Shareholders in the public market after the [**REDACTED**], or the perception that these sales could occur, could cause the market price of our H Shares to decline and could materially impair our future ability to raise capital through offerings of our H Shares. We cannot assure you that our Controlling Shareholders will not dispose of Shares held by them or that we will not issue Shares pursuant to the general mandate to issue shares granted to our Directors as described in "Appendix VI – Statutory and General Information" or otherwise, upon the expiration of restrictions set out above. We cannot predict the effect, if any, that any future sales of Shares by our Controlling Shareholders, or the availability of Shares for sale by our Controlling Shareholders, or the issuance of Shares by the Company may have on the market price of the Shares. Sale or issuance of a substantial amount of Shares by our Controlling Shareholders or us, or the market perception that such sale or issuance may occur, could materially and adversely affect the prevailing market price of the Shares.

Assuming an [**REDACTED**] of [**REDACTED**] per Share, being the high end of the Indicative [**REDACTED**] range, the maximum sale [**REDACTED**] from the [**REDACTED**] are approximately [**REDACTED**]. In the event that any sale [**REDACTED**] from the [**REDACTED**] are given to the employees of the Group, this may be regarded as a share incentive expense which may have an impact on our profit before tax under IFRS. The Company's management would consider that such arrangement has no impact on the Group's cashflow or total equity.

We may need additional capital, and the sale or issue of additional Shares or other equity securities could result in additional dilution to our Shareholders.

Notwithstanding our current cash and cash equivalents and the net [**REDACTED**] from the [**REDACTED**], we may require additional cash resources to finance our continued growth or other future developments, including any investments or acquisitions we may decide to pursue. The amount and timing of such additional financing needs will vary depending on the timing of investments in and/or acquisitions of new businesses from third parties, and the amount of cash flow from our operations. If our resources are insufficient to satisfy our cash requirements, we may seek additional financing through selling additional equity or debt securities or obtaining a credit facility. The sale of additional equity securities could result in additional dilution to our Shareholders. The incurrence of indebtedness would result in increased debt service obligations and could result in operating and financing covenants that may, among other things, restrict our operations or our ability to pay dividends. Servicing such debt obligations could also be burdensome to our operations. If we fail to service the debt obligations or are unable to comply with such debt covenants, we could be in default under the relevant debt obligations and our liquidity and financial conditions may be materially and adversely affected.

Our ability to obtain additional capital on acceptable terms is subject to a variety of uncertainties, including:

- investors' perception of, and demand for, securities of battery producers;
- conditions in Hong Kong and other capital markets in which we may seek to raise funds;
- our future results of operations, financial condition and cash flows;
- the PRC governmental regulation of foreign investment in new energy sectors in China;
- economic, political and other conditions in China; and
- the PRC governmental policies relating to foreign currency borrowings.

We cannot assure you that financing will be available in the amounts or on terms acceptable to us, if at all. If we fail to raise additional funds, we may need to sell debt or additional equity securities or reduce our growth to a level that can be supported by our cash flow, or defer planned expenditures.

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

As the [**REDACTED**] of our H Shares is higher than the consolidated net tangible assets per Share immediately prior to the [**REDACTED**], purchasers of our H Shares in the [**REDACTED**] may experience an immediate dilution. Our existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per Share of their Shares. In addition, holders of our H Shares may experience further dilution of their interest if any Shares are issued upon exercise of any options granted under the [**REDACTED**] Share Option Scheme, or if we issue additional Shares in the future to raise additional capital.

Future sale or major divestment of Shares by our Controlling Shareholders may materially and adversely affect the prevailing market price of our H Shares.

Our Shares held by our Controlling Shareholders are subject to certain lock-up periods, the details of which are set out in the section headed "[**REDACTED**]" in this document. However, there is no assurance that after the restrictions of the lock-up periods expire, our Controlling Shareholders will not dispose of any Shares. Sale of substantial amounts of our Shares in the public market, or the perception that these sales may occur, may materially and adversely affect the prevailing market price of our H Shares.

Our Controlling Shareholders may have substantial influence over our Company and their interests may not be aligned with the interests of other Shareholders.

Our Controlling Shareholders have substantial influence over our business, including matters relating to our management, policies and decisions regarding mergers, expansion plans, consolidations and sales of all or substantially all of our assets, election of Directors and other significant corporate actions. Immediately following the completion of the [**REDACTED**] and assuming the [**REDACTED**] is not exercised, our Controlling Shareholders will be entitled to exercise approximately [**REDACTED**]% of the voting rights of the Company. This concentration of ownership may discourage, delay or prevent a change in control of our Company, which could deprive other Shareholders of an opportunity to receive a premium for their Shares as part of a sale of our Company and might reduce the price of our H Shares. These events may occur even if they are opposed by our other Shareholders. In addition, the interests of our Controlling Shareholders may differ from the interests of our other Shareholders. It is possible that our Controlling Shareholder may exercise its substantial influence over us and cause us to enter into transactions or take, or fail to take, actions or make decisions that conflict with the best interests of our other Shareholders.

We cannot assure you whether and when we will declare and pay dividends in the future.

While dividends may be paid out of distributable profits under our Articles of Association, no dividends were distributed during the Track Record Period. Distributable profits mean our net profits for a period, plus the distributable profits or net of the accumulated losses, if any, at the beginning of such period, less statutory reserve fund appropriations to general risk reserve, transaction risk reserve, and discretionary surplus reserve (as approved by our shareholders' meeting). As a result, we may not have sufficient profit to enable us to make future dividend distributions to our shareholders, even if our financial statements prepared in accordance with IFRSs indicate that our operations have been profitable.

Furthermore, future determination of dividends will also depend on various factors, including but not limited to our results of operations, cash flows and financial conditions, capital adequacy ratio, operation and capital expenditure requirement and other factors that our Board consider relevant. We cannot assure you that the factors we take into consideration will not change in the future.

Certain facts and statistics contained in this Document are derived from a third-party report and publicly available official sources and they may not be reliable.

Certain statistics contained in this Document relating to China, the PRC economy and the industry in which we operate have been derived from various official government publications or other third-party reports. We have taken reasonable care in the reproduction or extraction of the official government publications or other third-party reports for the purpose of disclosure in this Document. However, they have not been prepared or independently verified by us, the Joint Sponsors, the [**REDACTED**] or any of their respective affiliates or advisors and, therefore, we make no representation as to the accuracy of such statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such statistics in this Document may be inaccurate or may not be comparable to statistics produced with respect to other economies. Further, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other jurisdictions. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts.

Forward-looking statements contained in this Document are subject to risks and uncertainties.

This Document contains certain statements and information that are forward-looking and uses forward-looking terminology such as "anticipate," "believe," "could," "going forward," "intend," "plan," "project," "seek," "expect," "may," "ought to," "should," "would" or "will" and similar expressions. You are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this Document should not be regarded as representations or warranties by us that our plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this Document, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this Document are qualified by reference to this cautionary statement.

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

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

[**REDACTED**]

[REDACTED]

[REDACTED]

[**REDACTED**]

[**REDACTED**]

DIRECTORS

Name	Address	Nationality
Executive Directors		
Dr. Cao Hui (曹輝)	Room 501 No. 35, Lane 2688 Xindu Road Shanghai PRC	Chinese
Dr. Wu Yanjun (吳艷軍)	Room 803, Unit 2, Building 36, Baolong Shijia Binhai Sixth Road Longwan District Wenzhou, Zhejiang PRC	Chinese
Ms. Huang Jiehua (黃潔華)	11-204, Hongxi Garden Yaoxi Road Longwan District Wenzhou, Zhejiang PRC	Chinese
Non-executive Directors		
Mr. Hu Xiaodong (胡曉東)	Room 1501, Building 9 Hongri Xiangsheli Puyuan Road, Lucheng District Wenzhou, Zhejiang PRC	Chinese
Mr. Wang Haijun (王海軍)	Room PC, Building 7 Haiyi Garden Lane 111, Songlin Road Pudong New Area Shanghai PRC	Chinese
Ms. Xiang Yangyang (項陽陽)	11 Cuscaden Walk #2601 Singapore 249697	Singaporean

Name	Address	Nationality
Mr. Wei Yong (衛勇)	489 Weihai Road, Jing'an District Shanghai PRC	Chinese
Mr. Yu Xinhua (俞信華)	Room 301 No. 29, Lane 1388 Qishun Road Shanghai PRC	Chinese
Independent Non-executive Directors		
Ms. Wong Sze Wing (黃斯穎)	38/F, Tower 6 88 O King Road New Territories Hong Kong	Hong Kong
Dr. Wang Zhenbo (王振波)	Room 1101, Unit 1, Building 3 Gongda Zuo'an No. 73 Wendao Street Nangang District Harbin, Heilongjiang PRC	Chinese
Dr. Ren Shenggang (任勝鋼)	Room 1402, Unit 1, Building 9, Jingxiu Jiangshan District, Yuelu District, Changsha, Hunan, PRC	Chinese
Dr. Simon Chen	Room 1101 No. 9, Lane 1999, Hami Road Changning District Shanghai PRC	Canadian

SUPERVISORS

Name	Address	Nationality
Mr. Qu Enci (瞿恩慈)	Room 502, Unit 1, Building 28 Jiuli Jinyuan, Laotu Administrative Village Qidu Street, Lucheng District Wenzhou, Zhejiang PRC	Chinese
Mr. Fang Yihui (房熠暉)	Room 1502, Building 2 Yard No.10, Xiaoying Road Chaoyang District Beijing PRC	Chinese
Ms. Jin Shanyan (金珊燕)	Room 401, Block 4 Luonan Neighborhood Yongzhong Street Longwan District Wenzhou, Zhejiang PRC	Chinese

For further details, see "Directors, Supervisors and Senior Management".

Joint Sponsors	**Morgan Stanley Asia Limited** 46/F, International Commerce Center 1 Austin Road West Kowloon Hong Kong **CITIC Securities (Hong Kong) Limited** 18/F, One Pacific Place, 88 Queensway Hong Kong

[**REDACTED**]

Legal Advisers to the Company	*As to Hong Kong and U.S. laws:* **Freshfields Bruckhaus Deringer** 55th Floor, One Island East Taikoo Place, Quarry Bay Hong Kong *As to PRC laws:* **Fangda Partners** 24/F, HKRI Center Two HKRI Taikoo Hui 288 Shi Men Yi Road Shanghai PRC

Legal Advisers to the Joint Sponsors and the [REDACTED]	*As to Hong Kong and U.S. laws:* **Allen & Overy** 9/F, Three Exchange Square Central Hong Kong *As to PRC laws:* **Commerce & Finance Law Offices** 10/F, Tower 1, Jing An Kerry Center 1515 West Nanjing Road Shanghai 200040, China
Auditor and Reporting Accountants	**Ernst & Young** *Certified Public Accountants* *Registered Public Interest Entity Auditor* 27/F, One Taikoo Place 979 King's Road Quarry Bay, Hong Kong
Compliance Advisor	**Red Solar Capital Limited** Unit 402B, 4/F China Insurance Group Building No. 141 Des Voeux Road Central Central Hong Kong
Industry Consultant	**Frost & Sullivan (Beijing) Inc.** Unit 2401-02, Level 24, China World Office 2 1 Jianguomenwai Avenue Beijing 100004, China

[**REDACTED**]

CORPORATE INFORMATION

Registered Office and Head Office	Room A205, Building C No. 205, Binhai 6th Road Airport New Area, Longwan District Wenzhou, Zhejiang PRC
Place of Business in Hong Kong Registered under Part 16 of the Companies Ordinance	Unit 2 LG 1 Mirror Tower 61 Mody Road, Tsim Sha Tsui, Kowloon Hong Kong
Joint Company Secretaries	**Dr. Wu Yanjun (吳艷軍)** Room 803, Unit 2, Building 36, Baolong Shijia Binhai Sixth Road Longwan District Wenzhou, Zhejiang PRC **Ms. Zhang Xiao (張瀟)** *(an associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom)* 40th Floor, Dah Sing Financial Center No. 248 Queen's Road East Wanchai Hong Kong
Authorized Representatives	**Dr. Wu Yanjun (吳艷軍)** Room 803, Unit 2, Building 36, Baolong Shijia Binhai Sixth Road Longwan District Wenzhou, Zhejiang PRC **Ms. Zhang Xiao (張瀟)** *(an associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom)* 40th Floor, Dah Sing Financial Center No. 248 Queen's Road East Wanchai Hong Kong

Audit Committee	Ms. Wong Sze Wing (黃斯穎) (*Chairlady*) Dr. Simon Chen Dr. Ren Shenggang (任勝鋼)
Nomination Committee	Dr. Cao Hui (曹輝) (*Chairman*) Dr. Wang Zhenbo (王振波) Dr. Ren Shenggang (任勝鋼)
Remuneration Committee	Dr. Wang Zhenbo (王振波) (*Chairman*) Dr. Cao Hui (曹輝) Ms. Wong Sze Wing (黃斯穎)

[**REDACTED**]

Principal Bankers	**China Merchants Bank Co., Ltd., Wenzhou Longwan Sub-branch** No. 2666, Longxiang Road Longwan District Wenzhou, Zhejiang PRC
	China CITIC Bank Corporation Limited, Wenzhou Branch 1F-2F, 17F-20F, China Life Building No. 1398 Huizhan Road, Binjiang Street Lucheng District Wenzhou, Zhejiang PRC
	China Minsheng Banking Corp., Ltd., Wenzhou Longwan Sub-branch Room 117 and 118, Building 1 Wanda Plaza No. 1188 Yongding Road, Yongzhong Street Longwan District Wenzhou, Zhejiang PRC

Company's Website	**www.chinarept.com** *(A copy of this document is available on the Company's website. Except for the information contained in this document, none of the other information contained on the Company's website forms part of this document)*

OUR HISTORY

Overview

We are a lithium-ion battery manufacture in China. We focus on the R&D, production and sales of EV and ESS lithium-ion battery products including battery cells, modules and packs (including battery boxes, battery racks and energy storage containers for ESS packs). Leveraging our various strengths, we grew rapidly since our inception and quickly gained a prominent position in the industry. For details, see "Business – Competitive Strengths."

The Company was established on October 25, 2017 as a limited liability company under the laws of the PRC. On April 7, 2022, pursuant to a promoters' agreement among the then shareholders of the Company, the Company was converted into a joint stock limited liability company under the laws of the PRC with its corporate name changed from REPT Energy Co., Ltd. (瑞浦能源有限公司) to the current name of REPT BATTERO Energy Co., Ltd. (瑞浦蘭鈞能源股份有限公司).

Between January 2018 and October 2022, the Company went through a series of share transfers and capital increases and brought in new Shareholders and [**REDACTED**] Investors. For details, see "– Establishment and Development of the Company." As of the Latest Practicable Date, the registered share capital of the Company was RMB2,160,803,850, comprising 2,160,803,850 Shares with a nominal value of RMB1.00 each.

Milestones

The following sets out a summary of our key development milestones:

Year	Milestone(s)
2017	The Company was established.
	Our Shanghai R&D center was put into operation, and our Wenzhou Facility I started construction.
2018	We commenced trial production in our Wenzhou Facility I.
2019	50Ah LFP batteries produced by us were delivered to SolaX Power (浙江艾羅), a well-known global photovoltaic inverter manufacturer, indicating the opening of a new chapter of our business in the household ESS market.
	80MWh standalone frequency adjustment energy storage systems produced by us were delivered to overseas customers.
	EV batteries produced by us were delivered to the commercial EV sector for use in city buses and urban distribution logistics vehicles; EV batteries produced by us formally entered the domestic passenger car market, including the bulk delivery of ternary batteries and the entry of our LFP batteries into the supply chain of DFPV (Aeolus) (東風乘用車(風神)).
2020	With the development and mass production of 180Wh/kg high energy density EV battery, we entered the supply chain supporting system of SAIC-GM-Wuling (上汽通用五菱), and our EV battery installations exceeded 1GWh in that year, making us one of the top ten EV battery manufacturers in China for the first time. The high-voltage series NCM523 battery replacing the NCM811 was successfully developed by us, for which we quickly achieved mass production and delivery.
	We were awarded the title of the Digital Workshop of Zhejiang Province in 2020.
2021	Our Wenzhou Facility II commenced production. Our Wenzhou laboratory obtained the national CNAS laboratory certification.
	Our long cycle life 280Ah ESS battery cells were launched.
	We participated in the construction of domestic large-scale commercial and industrial ESS projects in provinces including Gansu and Shandong.

Year	Milestone(s)
	We obtained the 2021 Zhejiang Provincial Green Low Carbon Factory award, and were awarded the title of the 2021 "waste-free factories" of Zhejiang Province in 2021.
	We were selected as a designated supplier of EV batteries to a well-known domestic automaker Leapmotor (零跑汽車) and an emerging auto parts manufacturer Vremt (威睿電動), as well as an established vehicle company in Europe.
2022	The Company was converted into a joint stock limited liability company under the laws of the PRC with its corporate name changed to the current name of REPT BATTERO Energy Co., Ltd. (瑞浦蘭鈞能源股份有限公司).
	Qingdao SAIC and Jiaxing SAIC became our shareholders as part of our [**REDACTED**] Investments.
	We established two joint ventures at Guangxi, Liuzhou with a wholly-owned sub-subsidiary of SAIC Motor (上汽集團) to build two production facilities for EV battery cell and battery pack with designed annual production capacity of 20GWh each.
	We were selected as a designated supplier of EV batteries to SAIC-Passenger Automobile (上汽乘用車), FAW (一汽奔騰), DNPV (Venucia) (東風日產(啟辰)), Hozon Auto (合眾汽車), Hycan (合創汽車) and a number of other domestic OEMs for new energy vehicle models. Our Group has achieved cooperation with a number of major domestic energy storage integrators such as Sungrow Energy Storage (陽光儲能), CLOU Intelligent Energy (科陸智慧能源) and Ronghe BESS (融和元儲), and established cooperation with a number of well-known international energy storage integrators in respect of our ESS battery products, entering into the international market.
	Our Group launched the WenDing ("問頂") technology, and the volumetric energy density, mass energy density and driving range of batteries utilizing this technology can exceed industry average.
2023	In June 2023, the Global Battery Alliance officially accepted our Company as one of its members.

ESTABLISHMENT AND DEVELOPMENT OF THE COMPANY

1. Establishment of the Company in 2017

On October 25, 2017, the Company was established as a limited liability company in the PRC with a registered capital of RMB100 million. At the time of the establishment, the shareholders of the Company were Irestal (Shanghai) Stainless Steel Pipe Co., Ltd. (瑞思拓(上海)不銹鋼管有限公司, "**Irestal**"), Zhejiang Tsingshan, Mr. Yu Zhaoyu (余招宇), Mr. Liu Si (劉思), Mr. Bao Zheng (包正), Mr. Jiang Sen (姜森) and REPT Technology Group Co., Ltd. (瑞浦科技集團有限公司, "**REPT Technology**"), holding 48%, 19%, 19%, 8%, 3%, 2% and 1% of the Company's then registered capital, respectively. At the time of the establishment of the Company, Irestal, Zhejiang Tsingshan and REPT Technology are limited liability companies incorporated under the laws of the PRC controlled by our Controlling Shareholders. Mr. Xiang, one of the Controlling Shareholders, has been the controlling shareholder of the Company since its date of establishment. Mr. Yu Zhaoyu is a vice president of the Company. Mr. Liu Si is a member of the management team of the Company. Mr. Jiang Sen is the president of Yongqing Technology, one of our Controlling Shareholders. Mr. Bao Zheng is an independent third party.

2. Major equity transfers and capital increases since the establishment from 2018 to 2020

Following the establishment of the Company, with a view to, among other things, (i) developing and expanding the Company's business, (ii) attracting and retaining the talents for the Group and (iii) streamlining the shareholding structure, the Company undertook several rounds of increases in registered capital and/or share transfers. Details of such major equity transfer and capital increase are summarized below:

- in January 2018, Mr. Yu Zhaoyu transferred his shareholdings in the Company, representing 9% and 7% of the Company's then registered capital, to Irestal and Dr. Cao Hui at a consideration of nil and RMB6 million, respectively; Mr. Liu Si transferred his shareholdings in the Company, representing 2% and 3% of the Company's then registered capital, to Ms. Liu Chan (劉嬋) and Dr. Cao Hui at a consideration of RMB2 million and RMB3 million, respectively; Mr. Bao Zheng transferred his shareholdings in the Company, representing 3% of the Company's then registered capital, to Dr. Hou Min at a consideration of RMB3 million. The considerations of above equity transfers were determined based on the amount of the paid-up register capital of the Company contributed by the transferors;

- in July 2018, Irestal, Zhejiang Tsingshan and REPT Technology transferred all their respective shareholdings in the Company, representing 48%, 19% and 1% of the Company's total registered capital, to Yongqing Technology at a consideration of RMB48 million, RMB19 million and RMB1 million, respectively. The considerations of above equity transfers were determined based on the amount of the paid-up register capital of the Company contributed by the transferors;

- in July 2018, the registered capital of the Company increased from RMB100 million to RMB300 million, among which RMB136 million was contributed by Yongqing Technology and RMB64 million was contributed by Shanghai Fuqin Enterprise Development Partnership (Limited Partnership) (上海孚勤企業發展合夥企業(有限合夥), "**Shanghai Fuqin**"), a non-wholly-owned subsidiary of Yongqing Technology;

- in June 2020, (i) Yongqing Technology, Shanghai Fuqin, Mr. Jiang Sen and Irestal transferred all or part of their respective shareholdings in the Company, representing 68.00%, 3.33%, 0.67% and 2.47% of the Company's then registered capital, to Ruitu Energy, a wholly-owned subsidiary of Yongqing Technology, at a consideration of RMB204 million, RMB10 million, RMB2 million and RMB7.4 million, respectively; and (ii) Irestal and Mr. Liu Si further transferred their remaining shareholding in the Company, representing 0.53% and 0.33% of the Company's then registered capital, to Mr. Cao Kai (曹楷) and Mr. Shen Xiangdong (沈向東), members of the management team of the Company, at the consideration of RMB1.6 million and RMB1 million respectively. The considerations of such equity transfers were determined based on the amount of the paid-up register capital of the Company contributed by the transferors.

All the above increases in registered capital and/or share transfers of the Company have been duly settled and completed. The table below sets forth the shareholding structure of the Company immediately after the increases in registered capital and share transfers listed above.

Name	**Registered capital**	**Equity interest percentage**
	(RMB, million)	*(%)*
Ruitu Energy	223.4	74.47
Shanghai Fuqin	54	18.00
Dr. Cao Hui	10	3.33
Mr. Yu Zhaoyu	3	1.00
Dr. Hou Min	3	1.00
Mr. Liu Si	2	0.67
Ms. Liu Chan	2	0.67
Mr. Cao Kai	1.6	0.53
Mr. Shen Xiangdong	1	0.33
Total	**300**	**100.00**

3. Subscription in the Company's registered capital by the employee shareholding platforms in August 2021

In August 2021, Ruitu Energy transferred its 0.47%, 2.00%, 4.00% and 68.00% shareholding in the Company to Wenzhou Ruili, Wenzhou Qingshan, Wenzhou Jingli and Yongqing Technology at a consideration of RMB1.4 million, RMB6 million, RMB12 million and RMB204 million, respectively. The considerations were determined based on the amount of the paid-up registered capital of the Company contributed by Ruitu Energy. Wenzhou Ruili, Wenzhou Qingshan and Wenzhou Jingli are employee shareholding platforms of the Company. For details, see "Appendix VI – Statutory and General Information."

At the same time, all the then individual shareholders of the Company, namely Dr. Cao Hui, Dr. Hou Min, Mr. Yu Zhaoyu, Ms. Liu Chan, Mr. Liu Si, Mr. Cao Kai and Mr. Shen Xiangdong transferred all their respective shareholding in the Company to Wenzhou Ruili, at a consideration of RMB10 million, RMB3 million, RMB3 million, RMB2 million, RMB2 million, RMB1.6 million and RMB1 million, respectively. In the meantime, Shanghai Fuqin also transferred all its shareholding in the Company, representing 18.00% of the Company's then registered capital, to Wenzhou Jingli at a consideration of RMB54 million. The considerations were determined based on the amount of the paid-up registered capital of the Company contributed by the transferors.

After the equity transfers mentioned above, pursuant to a shareholders' resolution of the Company dated August 16, 2021, the registered capital of the Company increased from RMB300 million to RMB1,200 million, which was subscribed and contributed by all shareholders of the Company at that time according to their respective shareholding proportions in the Company, including Yongqing Technology, Wenzhou Jingli, Wenzhou Ruili and Wenzhou Qingshan, at a consideration of RMB612 million, RMB198 million, RMB72 million and RMB18 million.

All the above increases in registered capital and/or equity transfers of the Company have duly settled and completed. The table below sets forth the shareholding structure of the Company immediately after the equity transfer and capital increase.

Name	Registered capital	Equity interest percentage
	(RMB, million)	*(%)*
Yongqing Technology	816	68.00
Wenzhou Jingli	264	22.00
Wenzhou Ruili	96	8.00
Wenzhou Qingshan	24	2.00
Total	**1,200**	**100.00**

4. Capital increase in November 2021

Pursuant to a shareholders' resolution of the Company dated November 22, 2021, (i) Yongqing Technology further contributed RMB1,524,444,444 to the Company, among which RMB234,146,341 was credited as registered capital and RMB1,290,298,103 was credited as capital reserve; and (ii) Wenzhou Zhuorui Energy Saving Technology Partnership (Limited Partnership) (溫州卓瑞節能技術合夥企業(有限合夥), "**Wenzhou Zhuorui**") contributed RMB190,555,556 to the Company, among which RMB29,268,293 was credited as registered capital and RMB161,287,263 was credited as capital reserve. Wenzhou Zhuorui is an employee shareholding platform of our Controlling Shareholders, Tsingshan Group, Yongqing Technology and their related parties.

The table below sets forth the shareholding structure of the Company immediately after the capital increase.

Name	**Registered capital**	**Equity interest percentage**
	(RMB)	*(%)*
Yongqing Technology	1,050,146,341	71.76
Wenzhou Jingli	264,000,000	18.04
Wenzhou Ruili	96,000,000	6.56
Wenzhou Zhuorui	29,268,293	2.00
Wenzhou Qingshan	24,000,000	1.64
Total	**1,463,414,634**	**100.00**

5. Conversion into a joint stock limited liability company in April 2022

On April 7, 2022, the Company was converted into a joint stock limited liability company, converting its total registered capital of RMB1,463,414,634 into 1,463,414,634 shares with a par value of RMB1.00 each and with its name changed to the current name of REPT BATTERO Energy Co., Ltd. (瑞浦蘭鈞能源股份有限公司).

6. Capital increase in June 2022

Pursuant to a shareholders' resolution of the Company dated June 14, 2022, Yongqing Technology further subscribed for 39,273,141 shares of the Company at a consideration of RMB460,000,000, with RMB39,273,141 credited as registered capital, and a premium of RMB420,726,859 credited as capital reserve. The consideration was determined based on the cost per share paid by Series A+ Investor.

7. [REDACTED] Investments

Series A [REDACTED] *Investment*

On January 30, 2022, (i) the Company, the then shareholders of the Company, and Tsingshan Group, and (ii) Qingdao SAIC and Jiaxing SAIC (together referred to as the "**Series A Investors**"), entered into a capital increase agreement, pursuant to which, each of Qingdao SAIC and Jiaxing SAIC agreed to subscribe for the increased registered capital of the Company.

Series A+ [REDACTED] *Investment*

On February 28, 2022, (i) the Company and (ii) Wenzhou Transportation Group (the "**Series A+ Investor**") entered into a capital increase agreement, pursuant to which, Wenzhou Transportation Group agreed to subscribe for the increased registered capital of the Company.

Series B [REDACTED] *Investment*

On August 11, 2022, (i) the Company and Yongqing Technology, and (ii) Tianjin Haihe (IDG Capital Entity), Wuhu Wenming, Pingan Investment, CNGR, CITICS Investment, Guangdong Jiarui, XCMG No. 1 Fund, Wuhan Yunshang, Wenzhou Chengyuan, Guangdong Guangxin Private Equity, Jiaxing Rongpu, Jiaxing Yuzhi, Jiaxing Aohao, Junying Changhong No.16 Equity Investment Fund (Zibo) Partnership (Limited Partnership) (雋赢長虹十六號股權投資基金(淄博)合夥企業(有限合夥), "**Junying Changhong**"), Wenzhou Zhenxu, Mr. Zhang Xiangkang (張祥康), Huzhou Lianjie, Silver Saddle Fund and Zhejiang University Education Foundation (collectively, the "**First Batch of Series B Investors**") entered into a capital increase agreement, pursuant to which, each of the First Batch of Series B Investors agreed to subscribe for the increased registered capital of the Company.

On August 11, 2022, Junying Changhong transferred its 7,112,404 shares in the Company to Zibo Junci. As Junying Changhong had not paid the relevant consideration to the Company for its subscription of the 7,112,404 shares, such shares were transferred to Zibo Junci at nil consideration, and Zibo Junci agreed to pay the subscription consideration to the Company according to the terms under the capital increase agreement dated August 11, 2022.

On September 22, 2022, (i) the Company and Yongqing Technology, and (ii) SCGC, HOPU Orient, Foshan Manufacturing Transformation & Development Fund, Chuangyi Chengtun, Longwan Financial Holdings, Wenzhou Gongchuang, Suzhou NewMargin, Zhongyuan Hejia, Guangdong Guangxin Equity Investment, Qingdao Heaven-Sent, Xiamen Fuxinrui, Hangzhou Longqi, Lishui Xiangxi, and 3W Global I (collectively, the "**Second Batch of Series B Investors**", together with First Batch of Series B Investors (with Zibo Junci substituted for Junying Changhong), the "**Series B Investors**") entered into a capital increase agreement, pursuant to which, each of the Second Batch of Series B Investors agreed to subscribe for the increased registered capital of the Company.

On October 20, 2022, the Company, Yongqing Technology and Hangzhou Longqi entered into a supplemental agreement to the capital increase agreement dated September 22, 2022, pursuant to which the amount of increased registered capital that Hangzhou Longqi shall subscribe for was adjusted.

For details of the amount of register capital subscribed for by each of the Series A Investors, Series A+ Investor, and Series B Investors (collectively, the "[**REDACTED**] **Investors**") and the subscription price paid, see "– Details of The [**REDACTED**] Investments" below.

The consideration for the [**REDACTED**] Investments was determined based on arm's length negotiation between the parties with reference to, among other things, the amount of the registered capital and the capital reserve, the timing of the investment, the agreed pre-investment valuation of the Company taking into account the arm's length negotiations when the parties engaged in discussion of each round of the [**REDACTED**] Investments, the historical performance of the Company, and the business prospects of the Company.

The table below sets forth the shareholding structure of the Company in November 2022 immediately after the [**REDACTED**] Investments, the capital increase and share transfer.

Name	**Number of Shares held**	**Shareholding percentage**
		(%)
Yongqing Technology	1,089,419,482	50.42
Wenzhou Jingli	264,000,000	12.22
Jiaxing SAIC	187,828,067	8.69
Wenzhou Ruili	96,000,000	4.44
Wuhu Wenming	56,899,236	2.63
Qingdao SAIC	56,285,178	2.60
Wenzhou Zhuorui	29,268,293	1.35
Wenzhou Qingshan	24,000,000	1.11
Tianjin Haihe (IDG Capital Entity)	21,337,214	0.99
Pingan Investment	21,337,214	0.99
CNGR	21,337,214	0.99
Foshan Manufacturing Transformation & Development Fund	21,194,965	0.98
HOPU Orient	20,625,973	0.95

Name	Number of Shares held	Shareholding percentage
		(%)
Wenzhou Chengyuan	18,442,465	0.85
Wenzhou Transportation Group	17,075,279	0.79
Longwan Financial Holdings	14,224,809	0.66
Wenzhou Gongchuang	14,224,809	0.66
Chuangyi Chengtun	14,224,809	0.66
Zhongyuan Hejia	14,224,809	0.66
Jiaxing Yuzhi	13,157,948	0.61
Guangdong Guangxin Private Equity	12,091,088	0.56
Wenzhou Zhenxu	11,059,789	0.51
SCGC	10,668,607	0.49
Suzhou NewMargin	10,064,052	0.47
3W Global I	9,778,041	0.45
CITICS Investment	7,112,404	0.33
Guangdong Jiarui	7,112,404	0.33
XCMG No. 1 Fund	7,112,404	0.33
Jiaxing Rongpu	7,112,404	0.33
Wuhan Yunshang	7,112,404	0.33
Jiaxing Aohao	7,112,404	0.33
Zibo Junci	7,112,404	0.33
Mr. Zhang Xiangkang	7,112,404	0.33
Huzhou Lianjie	6,401,164	0.30
Qingdao Heaven-Sent	5,689,924	0.26
Lishui Xiangxi	5,689,924	0.26
Silver Saddle Fund	4,978,683	0.23
Xiamen Fuxinrui	3,911,822	0.18
Hangzhou Longqi	3,840,697	0.18
Guangdong Guangxin Equity Investment	3,200,582	0.15
Zhejiang University Education Foundation	1,422,481	0.07
Total	**2,160,803,850**	**100.00**

DETAILS OF THE [REDACTED] INVESTMENTS

Details of the [**REDACTED**] Investments are set out below:

Name of [REDACTED] Investors	Date of agreement	Number of Shares subscribed	Cost per Share[(1)]	Total consideration[(2)]	Corresponding pre-subscription valuation of the Company	Date on which the consideration was fully settled	[REDACTED]	Shareholding in the Company as of the Latest Practicable Date	[REDACTED]
					(RMB billion)				
Series A* [REDACTED] *Investment									
Qingdao SAIC	January 30, 2022	56,285,178	RMB8.88	RMB500,000,000	13.0	May 30, 2022	[REDACTED]	2.60%	[REDACTED]
Jiaxing SAIC	January 30, 2022	187,828,067	RMB11.71	RMB2,200,000,000	17.8	May 30, 2022	[REDACTED]	8.69%	[REDACTED]
Series A+* [REDACTED] *Investment									
Wenzhou Transportation Group	February 28, 2022	17,075,279	RMB11.71	RMB200,000,000	17.8	April 15, 2022	[REDACTED]	0.79%	[REDACTED]
Series B* [REDACTED] *Investment									
Tianjin Haihe (IDG Capital Entity)	August 11, 2022	21,337,214	RMB14.06	RMB300,000,000	24.8	August 25, 2022	[REDACTED]	0.99%	[REDACTED]
Wuhu Wenming	August 11, 2022	56,899,236	RMB14.06	RMB800,000,000	24.8	August 29, 2022	[REDACTED]	2.63%	[REDACTED]
Pingan Investment	August 11, 2022	21,337,214	RMB14.06	RMB300,000,000	24.8	August 17, 2022	[REDACTED]	0.99%	[REDACTED]
SCGC	September 22, 2022	10,668,607	RMB14.06	RMB150,000,000	24.8	October 13, 2022	[REDACTED]	0.49%	[REDACTED]
Foshan Manufacturing Transformation & Development Fund	September 22, 2022	21,194,965	RMB14.06	RMB298,000,000	24.8	September 30, 2022	[REDACTED]	0.98%	[REDACTED]

Name of [REDACTED] Investors	Date of agreement	Number of Shares subscribed	Cost per Share(1)	Total consideration(2)	Corresponding pre-subscription valuation of the Company	Date on which the consideration was fully settled	[REDACTED]	Shareholding in the Company as of the Latest Practicable Date	[REDACTED]
					(RMB billion)				
HOPU Orient	September 22, 2022	20,625,973	RMB14.06	RMB290,000,000	24.8	October 8, 2022	[REDACTED]	0.95%	[REDACTED]
CNGR	August 11, 2022	21,337,214	RMB14.06	RMB300,000,000	24.8	August 22, 2022	[REDACTED]	0.99%	[REDACTED]
CITICS Investment	August 11, 2022	7,112,404	RMB14.06	RMB100,000,000	24.8	August 17, 2022	[REDACTED]	0.33%	[REDACTED]
Chuangyi Chengtun	September 22, 2022	14,224,809	RMB14.06	RMB200,000,000	24.8	October 10, 2022	[REDACTED]	0.66%	[REDACTED]
XCMG No. 1 Fund	August 11, 2022	7,112,404	RMB14.06	RMB100,000,000	24.8	August 18, 2022	[REDACTED]	0.33%	[REDACTED]
Wenzhou Chengyuan	August 11, 2022	18,442,465	RMB14.06	RMB259,300,000	24.8	August 18, 2022	[REDACTED]	0.85%	[REDACTED]
Jiaxing Yuzhi	August 11, 2022	13,157,948	RMB14.06	RMB185,000,000	24.8	August 17, 2022	[REDACTED]	0.61%	[REDACTED]
Guangdong Guangxin Private Equity	August 11, 2022	12,091,088	RMB14.06	RMB170,000,000	24.8	August 22, 2022	[REDACTED]	0.56%	[REDACTED]
Wenzhou Zhenxu	August 11, 2022	11,059,789	RMB14.06	RMB155,500,000	24.8	August 12, 2022	[REDACTED]	0.51%	[REDACTED]
Guangdong Jiarui	August 11, 2022	7,112,404	RMB14.06	RMB100,000,000	24.8	August 16, 2022	[REDACTED]	0.33%	[REDACTED]
Jiaxing Rongpu	August 11, 2022	7,112,404	RMB14.06	RMB100,000,000	24.8	August 23, 2022	[REDACTED]	0.33%	[REDACTED]
Wuhan Yunshang	August 11, 2022	7,112,404	RMB14.06	RMB100,000,000	24.8	August 17, 2022	[REDACTED]	0.33%	[REDACTED]
Jiaxing Aohao	August 11, 2022	7,112,404	RMB14.06	RMB100,000,000	24.8	September 2, 2022	[REDACTED]	0.33%	[REDACTED]
Zibo Junci(3)	August 11, 2022	7,112,404	RMB14.06	RMB100,000,000	24.8	August 31, 2022	[REDACTED]	0.33%	[REDACTED]
Mr. Zhang Xiangkang	August 11, 2022	7,112,404	RMB14.06	RMB100,000,000	24.8	August 19, 2022	[REDACTED]	0.33%	[REDACTED]
Huzhou Lianjie	August 11, 2022	6,401,164	RMB14.06	RMB90,000,000	24.8	August 18, 2022	[REDACTED]	0.30%	[REDACTED]
Silver Saddle Fund	August 11, 2022	4,978,683	RMB14.06	RMB70,000,000	24.8	August 18, 2022	[REDACTED]	0.23%	[REDACTED]
Zhejiang University Education Foundation	August 11, 2022	1,422,481	RMB14.06	RMB20,000,000	24.8	August 16, 2022	[REDACTED]	0.07%	[REDACTED]

Name of [REDACTED] Investors	Date of agreement	Number of Shares subscribed	Cost per Share(1)	Total consideration(2)	Corresponding pre-subscription valuation of the Company	Date on which the consideration was fully settled	[REDACTED]	Shareholding in the Company as of the Latest Practicable Date	[REDACTED]
					(RMB billion)				
Longwan Financial Holdings	September 22, 2022	14,224,809	RMB14.06	RMB200,000,000	24.8	September 28, 2022	[REDACTED]	0.66%	[REDACTED]
Wenzhou Gongchuang	September 22, 2022	14,224,809	RMB14.06	RMB200,000,000	24.8	September 26, 2022	[REDACTED]	0.66%	[REDACTED]
Zhongyuan Hejia	September 22, 2022	14,224,809	RMB14.06	RMB200,000,000	24.8	October 8, 2022	[REDACTED]	0.66%	[REDACTED]
Suzhou NewMargin	September 22, 2022	10,064,052	RMB14.06	RMB141,500,000	24.8	October 12, 2022	[REDACTED]	0.47%	[REDACTED]
3W Global I	September 22, 2022	9,778,041	RMB14.06	US$20,000,000	24.8	November 8, 2022	[REDACTED]	0.45%	[REDACTED]
Qingdao Heaven-Sent	September 22, 2022	5,689,924	RMB14.06	RMB80,000,000	24.8	September 30, 2022	[REDACTED]	0.26%	[REDACTED]
Lishui Xiangxi	September 22, 2022	5,689,924	RMB14.06	RMB80,000,000	24.8	October 8, 2022	[REDACTED]	0.26%	[REDACTED]
Xiamen Fuxinrui	September 22, 2022	3,911,822	RMB14.06	RMB55,000,000	24.8	September 27, 2022	[REDACTED]	0.18%	[REDACTED]
Hangzhou Longqi	September 22, 2022	3,840,697	RMB14.06	RMB54,000,000	24.8	October 19, 2022	[REDACTED]	0.18%	[REDACTED]
Guangdong Guangxin Equity Investment	September 22, 2022	3,200,582	RMB14.06	RMB45,000,000	24.8	September 27, 2022	[REDACTED]	0.15%	[REDACTED]

Notes:

(1) The cost per Share is calculated by dividing the consideration paid by each [**REDACTED**] Investors by the number of Shares subscribed for by each [**REDACTED**] Investor.

(2) The total consideration represents the amount paid by each [**REDACTED**] Investor for subscription of the Shares. Under the [**REDACTED**] investment, each [**REDACTED**] Investor also contributed an amount to the Company which was credited as capital reserve of the Company. For details, see "– 7. [**REDACTED**] Investments" above.

(3) On August 11, 2022, Junying Changhong transferred its 7,112,404 shares in the Company to Zibo Junci. For details, see "– 7. [**REDACTED**] Investments" above.

The Company received proceeds of an aggregate amount of approximately RMB8.5 billion from the [**REDACTED**] Investments, which shall be utilized by the Company for expansion of production capacity of its principal business, capital expenditure, operations, sales and supplement of working capital. As at the Latest Practicable Date, approximately RMB2.8 billion of the proceeds raised by the Company from the [**REDACTED**] Investments had not been utilized.

The Directors were of the view that the Company would benefit from the capital raised through the [**REDACTED**] Investments, the [**REDACTED**] Investors' knowledge and experience, and the endorsement of the Company's performance, strength and prospects reflected by the [**REDACTED**] Investments.

The Shares held by the [**REDACTED**] Investors are not subject to any lock-up pursuant to the terms of the [**REDACTED**] Investments. However, according to the PRC Company Law, the [**REDACTED**] Investors shall not transfer their Shares in the Company within one year from the [**REDACTED**].

The [**REDACTED**] Investors were granted certain special rights, including veto right in the general meeting and board meeting, right of first refusal, tag-along right, preemptive right, anti-dilution right, information right, liquidation preference right, right of most favored treatment, and redemption right (the "**Special Rights**"). In addition, Yongqing Technology, Tsingshan Group and the Company have undertaken to the Series B Investors that the [**REDACTED**] calculated based on the [**REDACTED**] multiplied by the total number of issued shares of the Company immediately prior to its [**REDACTED**] (the "[**REDACTED**]") shall be no less than the pre-agreed amount set out in the shareholders' agreement. Yongqing Technology, Tsingshan Group, the Company and the Series B Investors further agreed that, if there is a material change in the industry in which the Company operates, capital market conditions or other situations as agreed among the aforementioned parties, the [**REDACTED**] may be adjusted accordingly by consent of the parties.

Except for the redemption right as described below, all the other Special Rights or undertaking with respect to the [**REDACTED**] calculated based on the low end of the indicative [**REDACTED**] range will be terminated or otherwise fulfilled upon [**REDACTED**], and all Special Rights other than the redemption right as described below shall resume to be exercisable automatically upon (i) the relevant regulatory authorities reject the [**REDACTED**]; (ii) the [**REDACTED**] is returned or is ultimately disapproved by the relevant regulatory authorities; or (iii) the Company fails to achieve the [**REDACTED**] within 12 months after the [**REDACTED**] is approved.

Redemption Right

Pursuant to the shareholders' agreement, each Series A Investor and Series B Investor is given the redemption right to, upon the occurrence of specified redemption events, request that Yongqing Technology, a Controlling Shareholder of the Company purchase the Shares such investor then holds at the specified purchase price. Such redemption events include: (a) the

Company could not complete the [**REDACTED**], listing on the Shanghai Stock Exchange or listing on the Shenzhen Stock Exchange by December 31, 2025; or (b) the Company fails to complete all necessary formalities for the [**REDACTED**] of the Unlisted Shares held by such investor (where applicable) within 12 months after the [**REDACTED**] (except when such investor chooses not to apply for full circulation, or the [**REDACTED**] Investor fails to provide necessary materials for application of full circulation). The purchase price per Unlisted Share will be determined according to the following formula:

Cost per share paid × (1+8%×n) – D

"n" equals to the cumulative number of days between the date of settlement of the subscription price by such investor and the date of receipt of the repurchase amount by such investor divided by 365; and "D" equals to the dividend or bonus paid by the Company to such investor in respect of such Unlisted Share from the date of settlement of the subscription price by such investor in respect of such Unlisted Share to the date of receipt of the repurchase amount by such investor.

The redemption right to request that Yongqing Technology purchase the Unlisted Shares each Series A Investor and Series B Investor then holds at the specified purchase price remains effective and exercisable by the Series A Investors and Series B Investors.

Following the [**REDACTED**], the share capital of the Company will comprise H Shares and Domestic Shares. Whereas H Shares will be freely transferable on the Hong Kong Stock Exchange after the [**REDACTED**], Domestic Shares which are not converted into H Shares are not tradeable publicly. As such, our Shareholders who hold Domestic Shares upon [**REDACTED**], if unable to convert such Shares into H Shares, are subject to significantly different risks relating to the lack of liquidity of such Domestic Shares they invested in, compared to investors in the [**REDACTED**] who invest in H Shares. The redemption right to request that Yongqing Technology, a Controlling Shareholder of the Company, shall purchase the Domestic Shares was retained to cater for such risks which investors in the [**REDACTED**] are not subject to. In addition, Yongqing Technology bears the corresponding purchase obligation, and such purchase will not be funded by the Company. Therefore, the Company considers that such redemption right does not fall within Guidance Letter HKEx-GL43-12 issued in October 2012 and updated in July 2013 and March 2017 by the Hong Kong Stock Exchange and can survive the [**REDACTED**].

On the basis that (i) the consideration for each of the [**REDACTED**] Investments was settled at least 28 clear days prior to the date of the Company's Submission, and (ii) the Special Rights and undertakings granted under the shareholders' agreement to the [**REDACTED**] Investors will be terminated or otherwise fulfilled upon [**REDACTED**] (save for the redemption right to request that Yongqing Technology, a Controlling Shareholder of the Company, shall purchase the Unlisted Shares each [**REDACTED**] Investor then holds at the specified purchase price, which does not fall within Guidance Letter HKEx-GL43-12 issued in October 2012 and updated in July 2013 and March 2017 by the Hong Kong Stock Exchange as described above), the Joint Sponsors have confirmed that, the [**REDACTED**] Investments are in compliance with the Interim Guidance on [**REDACTED**] Investments issued by the Hong Kong Stock Exchange in January 2012 and updated in March 2017, the Guidance Letter HKEx-GL43-12 issued by the Hong Kong Stock Exchange in October 2012 and updated in July 2013 and March 2017, and the Guidance Letter HKEx-GL44-12 issued by the Hong Kong Stock Exchange in October 2012 and updated in March 2017.

As advised by the PRC legal advisers to the Company, the Company has complied with applicable PRC laws and regulations in material respects in relation to the changes of shareholdings (including the [**REDACTED**] Investments) as set out above.

Background of the [REDACTED] Investors

Set out below are the background of the [**REDACTED**] Investors based on information available to us:

Name of [REDACTED] Investors	Background
Qingdao SAIC	A limited partnership established in the PRC, the general partners of which are Shanghai Shangqi Investment Management Partnership (Limited Partnership) (上海尚頎投資管理合夥企業(有限合夥), "**Shangqi Capital**") and Shanghai Saic Hengxu Capital Co., Ltd (上海上汽恒旭投資管理有限公司), "**SAIC Hengxu**") and the fund manager of which is Shangqi Capital. As of the Latest Practicable Date, Shangqi Capital and SAIC Hengxu held approximately 0.02% partnership interests in Qingdao SAIC, respectively. The general partner of Shangqi Capital is Shanghai Qiyuan Business Consulting Co., Ltd. (上海頎元商務諮詢有限公司, "**Shanghai Qiyuan**"), and Shanghai Qiyuan is ultimately controlled by Mr. Feng Ji (馮戟). The largest limited partner of Qingdao SAIC is SAIC Motor Corporation Limited (上海汽車集團股份有限公司), a company listed on the Shanghai Stock Exchange, stock code: 600104), which held approximately 99.63% partnership interests in Qingdao SAIC as of the Latest Practicable Date. Qingdao SAIC focuses on investments in the automotive industry chain and its related fields, including but not limited to new energy, intelligent networking, sharing, smart manufacturing and new materials.

Name of [REDACTED] Investors	Background
Jiaxing SAIC	A limited partnership established in the PRC, the general partner and fund manager of which is Shangqi Capital, which held approximately 0.10% partnership interests in Jiaxing SAIC as of the Latest Practicable Date, and the largest limited partner of which is Qingdao SAIC, which held 49.95% partnership interests in Jiaxing SAIC. No other limited partners held 30% or more partnership interests in Jiaxing SAIC as of the Latest Practicable Date. Jiaxing SAIC is an investment fund established solely for the purpose of investing in the Group.
Wenzhou Transportation Group	A limited liability company established in the PRC, which is wholly owned by the Wenzhou Municipal People's Government State-owned Assets Supervision and Administration Commission (溫州市人民政府國有資產監督管理委員會). Wenzhou Transportation Group primarily focuses on road passenger transport services operations and urban public transportation.
Tianjin Haihe (IDG Capital Entity)	A limited partnership established in the PRC, the general partner of which is Tianjin Yuhui Management Consulting Co., Ltd. (天津煜輝管理諮詢有限公司, "**Tianjin Yuhui**"), which held approximately 0.0167% partnership interests in Tianjin Haihe (IDG Capital Entity) as of the Latest Practicable Date. Tianjin Yuhui is wholly owned by Tianjin Chenhui Investment Management Co., Ltd. (天津宸輝投資管理有限公司, "**Tianjin Chenhui**"). The largest shareholder of Tianjin Chenhui is Cui Guangfu (崔廣福), holding 20% equity interests in Tianjin Chenhui as of the Latest Practicable Date. The fund manager of Tianjin Haihe (IDG Capital Entity) is Tianjin Chenhui. The largest limited partner of Tianjin Haihe (IDG Capital Entity) is Yiwu Harmonious Jinhong Equity Investment Partnership (Limited Partnership) (義烏和諧錦弘股權投資合夥企業(有限合夥)), which held approximately 99.9666% partnership interests in Tianjin Haihe (IDG Capital Entity) as of the Latest Practicable Date. Tianjin Haihe (IDG Capital Entity) is an investment fund which principally focuses on investments in advanced manufacturing and new energy industries.

Name of [REDACTED] Investors	Background
Wuhu Wenming	A limited partnership established in the PRC, the general partner and fund manager of which is Beijing Wenming Investment Fund Management Co., Ltd. (北京聞名投資基金管理有限公司, "**Beijing Wenming**"), which held 0.1% partnership interests in Wuhu Wenming as of the Latest Practicable Date. Beijing Wenming is ultimately controlled by Hou Changqing (侯長青). The only limited partner of Wuhu Wenming is Hebei Yangyuan Zhihui Beverage Co., Ltd. (河北養元智匯飲品股份有限公司, a company listed on the Shanghai Stock Exchange, stock code: 603156), which held 99.9% partnership interests in Wuhu Wenming as of the Latest Practicable Date. Wuhu Wenming is an investment fund which principally focuses on investments in semiconductor, new energy and technology industries.
Pingan Investment	A limited partnership established in the PRC, the general partner and fund manager of which is Ping An Capital Co., Ltd. (平安資本有限責任公司, "**Ping An Capital**"), which held 0.02% partnership interests in Pingan Investment as of the Latest Practicable Date. Ping An Capital is an indirectly wholly owned subsidiary of Ping An Insurance (Group) Company of China, Ltd. (中國平安保險(集團)股份有限公司, a company listed on the Hong Kong Stock Exchange, stock code: 2318, and a company listed on the Shanghai Stock Exchange, stock code: 601318). Ping An Insurance (Group) Company of China, Ltd. is a leading integrated financial services company, and Ping An Capital is the core equity investment platform of Ping An Insurance (Group) Company of China, Ltd., focusing on investments in high-end manufacturing, energy conservation and environmental protection, medical and health, modern technology and services, and consumer sectors. Pingan Investment is an investment fund managed by Ping An Capital.

Name of [REDACTED] Investors	Background
SCGC	A limited liability company established in the PRC, and its controlling shareholder is the State-owned Assets Supervision and Administration Commission of the People's Government of Shenzhen Municipal (深圳市人民政府國有資產監督管理委員會), and no other shareholders hold or control 30% or more equity interests of SCGC. SCGC primarily focuses on venture capital investments to nurture and cultivate entrepreneurship and innovation. SCGC mainly invests in companies in information technology, biomedicine and health, intelligent manufacturing, new energy, new materials, Internet, consumer goods and modern services, etc. during their emerging phrases.
Foshan Manufacturing Transformation & Development Fund	A limited partnership established in the PRC, the general partner of which is Foshan Laterite Winning Venture Capital Management Co., Ltd. (佛山紅土製勝創業投資管理有限公司, "**Foshan Laterite**"), which held approximately 1.34% partnership interests in Foshan Manufacturing Transformation & Development Fund as of the Latest Practicable Date. Foshan Laterite is wholly owned by SCGC. The fund manager of Foshan Manufacturing Transformation & Development Fund is Foshan Red Earth Innovation and Entrepreneurship Industry Guidance Fund Investment Management Co., Ltd. (佛山市紅土創新創業產業引導基金投資管理有限公司). The largest limited partner of Foshan Manufacturing Transformation & Development Fund is Foshan Financial Investment Holding Co., Ltd. (佛山市金融投資控股有限公司), holding approximately 67.11% partnership interests in Foshan Manufacturing Transformation & Development Fund as of the Latest Practicable Date. No other limited partners held 30% or more partnership interests in Foshan Manufacturing Transformation & Development Fund as of the Latest Practicable Date. Foshan Manufacturing Transformation & Development Fund is an private equity investment fund primarily focusing on investment in new materials, new generation of information technology, power equipment, and basic and new manufacturing sectors.

Name of [REDACTED] Investors	Background
HOPU Orient	A limited partnership established in the PRC, the general partner and fund manager of which is Ningbo Meishan Free Trade Port Guopuxing Investment Management Co., Ltd. (寧波梅山保稅港區國樸興投資管理有限公司, "**Ningbo Guopuxing**"), which held 0.1% partnership interests in HOPU Orient as of the Latest Practicable Date. The largest shareholders of Ningbo Guopuxing are Zhang Ran (張然) and Chen Rui (陳蕊), each holding 41% equity interests. The only limited partner of HOPU Orient is China Orient Asset Management Co., Ltd. (中國東方資產管理股份有限公司, COAMC), which held 99.9% partnership interests in HOPU Orient as of the Latest Practicable Date. HOPU Orient is an investment fund established solely for the purpose of investing in the Group.
CNGR	A joint stock limited liability company established in the PRC with its shares listed on the Shenzhen Stock Exchange (stock code: 300919). The ultimate beneficial owners of CNGR are Deng Weiming (鄧偉明) and Wu Xiaoge (吳小歌). CNGR mainly engages in the R&D, production, and sales of new energy materials.
CITICS Investment	A limited liability company established in the PRC and a wholly owned subsidiary of CITIC Securities Company Limited (中信証券股份有限公司, a company listed on the Hong Kong Stock Exchange, stock code: 6030, and a company listed on the Shanghai Stock Exchange, stock code: 600030). CITICS Investment is a related party of CITIC Securities (Hong Kong) Limited. CITICS Investment primarily focuses on financial product investment, securities investment, and equity investment.

Name of [REDACTED] Investors	Background
Chuangyi Chengtun	A limited partnership established in the PRC, the general partners of which are SDIC Chuangyi Industry Fund Management Co., Ltd. (國投創益產業基金管理有限公司, "**SDIC Chuangyi**"), and Beijing Chengtun Tianyu Private Equity Fund Management Co., Ltd. (北京盛屯天宇私募基金管理有限公司, "**Chengtun Tianyu**"), which held approximately 0.33% and 1.67% partnership interests in Chuangyi Chengtun, respectively, as of the Latest Practicable Date. SDIC Chuangyi is a wholly owned subsidiary of State Development & Investment Corporation Ltd. (國家開發投資集團有限公司, SDIC). SDIC is wholly owned by the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會). Chengtun Tianyu is also the fund manager of Chuangyi Chengtun, and is ultimately controlled by Yao Xiongjie (姚雄傑). The limited partners of Chuangyi Chengtun are Central Enterprises Rural Industry Investment Fund Co., Ltd. (中央企業鄉村產業投資基金股份有限公司), which held approximately 49.67% partnership interests in Chuangyi Chengtun as of the Latest Practicable Date, and Xiamen Changsheng Investment Partnership (Limited Partnership) (廈門昶盛投資合夥企業(有限合夥)), which held approximately 48.33% partnership interests in Chuangyi Chengtun as of the Latest Practicable Date. Chuangyi Chengtun is an investment fund which principally focuses on investments in new energy industries.
XCMG No. 1 Fund	A limited partnership established in the PRC, the general partner and fund manager of which is XCMG Equity Investment Co., Ltd. (徐州徐工股權投資有限公司, "**XCMG Investment**"), which held approximately 0.98% partnership interests in XCMG No. 1 Fund as of the Latest Practicable Date. The largest shareholder of XCMG Investment is XCMG Construction Machinery Group Co., Ltd. (徐工集團工程機械股份有限公司, a company listed on the Shenzhen Stock Exchange, stock code: 000425, "**XCMG**"), which held 40% equity interests in XCMG Investment. No other shareholders held more than 30% equity interests in XCMG Investment. XCMG is a leading construction machinery company in China. The largest limited partner of XCMG No. 1 Fund is XCMG Industrial Investment Partnership (Limited Partnership) (徐州徐工產業投資合夥企業(有限合夥)), which held approximately 98.04% partnership interests in XCMG No. 1 Fund as of the Latest Practicable Date. XCMG No. 1 Fund is an investment fund which principally focuses on investments in new energy industries.

Name of [REDACTED] Investors	Background
Wenzhou Chengyuan	A limited partnership established in the PRC, the general partners of which are CNCB Shanghai (信瞰(上海)股權投資管理合夥企業(有限合夥)) and Wenzhou Haiyu New Material Technology Co., Ltd. (溫州市海羽新材料科技有限公司), "**Wenzhou Haiyu**", which held approximately 0.004% and 0.38% partnership interests, respectively, in Wenzhou Chengyuan as of the Latest Practicable Date. CNCB Shanghai is ultimately controlled by China CITIC Bank Corporation Limited (a company listed on the Hong Kong Stock Exchange, stock code: 998). The largest shareholder of Wenzhou Haiyu is Zhang Heng (張衡), holding 22% equity interests in Wenzhou Haiyu as of the Latest Practicable Date. The fund manager of Wenzhou Chengyuan is CNCB Shanghai. The largest limited partner of Wenzhou Chengyuan is Wenzhou Xinjing Equity Investment Partnership (Limited Partnership) (溫州信旌股權投資合夥企業(有限合夥), "**Wenzhou Xinjing**"), which held approximately 51.07% partnership interests in Wenzhou Chengyuan as of the Latest Practicable Date. The general partner of Wenzhou Xinjing is CNCB Shanghai as of the Latest Practicable Date. China CITIC Bank Corporation Limited is an associate to CITIC Securities (Hong Kong) Limited. Wenzhou Chengyuan is an investment fund which principally focuses on investments in new energy industries.
Jiaxing Yuzhi	A limited partnership established in the PRC, the general partner and fund manager of which is Shanghai Yuda Investment Management Co., Ltd. (上海禹達投資管理有限公司, "**Yuda Investment**"), which held approximately 0.01% partnership interests in Jiaxing Yuzhi as of the Latest Practicable Date. Yuda Investment is wholly owned by Li Yi (李毅). Yuda Investment is a professional equity fund management firm in the PRC with a focus on technology, robotics, new energy, consumer and service industries. The largest limited partner of Jiaxing Yuzhi is Yue Hongwei (岳紅偉), who held approximately 30.81% partnership interests in Jiaxing Yuzhi as of the Latest Practicable Date. No other limited partners held 30% or more partnership interests in Jiaxing Yuzhi as of the Latest Practicable Date. Jiaxing Yuzhi is an investment vehicle which focuses on investments in lithium battery related opportunities.

Name of [REDACTED] Investors	Background
Guangdong Guangxin Private Equity	A limited partnership established in the PRC, the general partner and fund manager of which is Guangdong Guangxin Emerging Industry Investment Private Equity Fund Management Co., Ltd. (廣東廣新新興產業投資私募基金管理有限公司, "**Guangxin Fund**"), which held approximately 1.18% partnership interests in Guangdong Guangxin Private Equity as of the Latest Practicable Date. The largest shareholder of Guangxin Fund holding 35% of its equity interests is Guangdong Guangxin Holdings Group Ltd. (廣東省廣新控股集團有限公司), which is owned as to 90% by Guangdong People's Government, and 10% by the Department of Finance of Guangdong Province. The limited partners of Guangdong Guangxin Private Equity are Wenzhou Hongfu Dayu Equity Investment Partnership (Limited Partnership) (溫州弘孚達昱股權投資合夥企業(有限合夥)), which held approximately 58.82% partnership interests in Guangdong Guangxin Private Equity as of the Latest Practicable Date, and Guangdong Guangxin Industrial Investment Fund Partnership (Limited Partnership) (廣東廣新產業投資基金合夥企業(有限合夥), "**Guangdong Guangxin Industrial Investment**"), which held 40% partnership interests in Guangdong Guangxin Private Equity as of the Latest Practicable Date. Guangdong Guangxin Private Equity is an investment fund which primarily focuses on investments in new energy and new materials sectors.
Wenzhou Zhenxu	A limited partnership established in the PRC, the general partner and fund manager of which is Shanghai Yijia Private Fund Management Co., Ltd. (上海億嘉私募基金管理有限公司, "**Shanghai Yijia**"), which held approximately 0.06% partnership interests in Wenzhou Zhenxu as of the Latest Practicable Date. Shanghai Yijia is controlled by Lin Gongyi (林公義), who is also a limited partner of Wenzhou Zhenxu holding approximately 6.14% partnership interests as of the Latest Practicable Date. The largest limited partner of Wenzhou Zhenxu is Rong Yanlin (戎艷琳), who held approximately 30.68% partnership interests in Wenzhou Zhenxu as of the Latest Practicable Date. No other limited partners held 30% or more partnership interests in Wenzhou Zhenxu as of the Latest Practicable Date. Wenzhou Zhenxu is an investment fund established solely for the purpose of investing in the Group.

Name of [REDACTED] Investors	Background
Guangdong Jiarui	A limited partnership established in the PRC, the general partner and fund manager of which is Beijing Dezaihou Investment Management Center (Limited Partnership) (北京德載厚投資管理中心(有限合夥), "**Beijing Dezaihou**"), which held approximately 0.98% partnership interests of Guangdong Jiarui as of the Latest Practicable Date. The general partner of Beijing Dezaihou is Beijing Dezaihou Enterprise Management Co., Ltd. ("**Dezaihou Enterprise Management**"), which held approximately 7.21% partnership interests in Beijing Dezaihou as of the Latest Practicable Date. Dezaihou Enterprise Management is ultimately controlled by Dong Yang (董揚). The largest limited partner of Guangdong Jiarui is Guangdong Dezaihou Yingxing Equity Investment Partnership (Limited Partnership) (廣東德載厚贏行股權投資合夥企業(有限合夥)), which held approximately 41.98% partnership interests in Guangdong Jiarui as of the Latest Practicable Date. No other limited partners held 30% or more partnership interests in Guangdong Jiarui as of the Latest Practicable Date. Guangdong Jiarui is an investment fund which principally focuses on investments in new energy vehicle industries.
Jiaxing Rongpu	A limited partnership established in the PRC, the general partner and fund manager of which is Zhejiang Winreal Investment Management Co., Ltd. (浙江容億投資管理有限公司, "**Zhejiang Winreal**"), which held approximately 0.10% partnership interests in Jiaxing Rongpu as of the Latest Practicable Date. Zhejiang Winreal is ultimately controlled by Huang Jinping (黃金平). The largest limited partner of Jiaxing Rongpu is Zhejiang Rongteng Venture Capital Partnership (Limited Partnership) (浙江容騰創業投資合夥企業(有限合夥), "**Zhejiang Rongteng**"), which held approximately 59.94% partnership interests in Jiaxing Rongpu as of the Latest Practicable Date. The general partner of Zhejiang Rongteng is Zhejiang Winreal as of the Latest Practicable Date. No other limited partners held 30% or more partnership interests in Jiaxing Rongpu as of the Latest Practicable Date. Jiaxing Rongpu is an investment fund established solely for the purpose of investing in the Group.

Name of [REDACTED] Investors	Background
Wuhan Yunshang	A limited partnership established in the PRC, the general partner of which is Zhejiang Silicon Paradise Chaoyang Venture Capital Co., Ltd. (浙江天堂硅谷朝陽創業投資有限公司, "**Zhejiang Silicon Paradise**"), which held approximately 1.00% partnership interests in Wuhan Yunshang as of the Latest Practicable Date. Zhejiang Silicon Paradise is ultimately controlled by Heaven-Sent Industrial Group Co., Ltd. (硅谷天堂產業集團股份有限公司, a company listed on the National Equities Exchange and Quotations, stock code: 833044, "**Heaven-Sent Group**") as of the Latest Practicable Date. Heaven-Sent Group is a comprehensive capital management group specialized in professional services of mergers and acquisitions. The fund manager of Wuhan Yunshang is Zhejiang Silicon Paradise Asset Management Group (天堂硅谷資產管理集團有限公司). The largest limited partner of Wuhan Yunshang is Wuhan Silicon Paradise Yunke Venture Capital Partnership (Limited Partnership) (武漢天堂硅谷雲柯創業投資合夥企業(有限合夥)), which held approximately 29.39% partnership interests in Wuhan Yunshang as of the Latest Practicable Date. Wuhan Yunshang is an investment fund which principally focuses on investments in new energy industries.
Jiaxing Aohao	A limited partnership established in the PRC, the general partner and fund manager of which is Aoyang (Shanghai) Private Equity Fund Management Co., Ltd. (傲洋(上海)私募基金管理有限公司, "**Aoyang Shanghai**"), which held 0.92% partnership interests in Jiaxing Aohao as of the Latest Practicable Date. The largest shareholder of Aoyang Shanghai is Gan Qian (淦謙), holding 41% equity interests as of the Latest Practicable Date. The largest limited partner of Jiaxing Aohao is Wang Yuanxin (王源鑫), who held approximately 20.15% partnership interests in Jiaxing Aohao as of the Latest Practicable Date. Jiaxing Aohao is an investment fund which focuses on investment in new energy industries.

Name of [REDACTED] Investors	Background
Zibo Junci	A limited partnership established in the PRC, the general partner and fund manager of which is Shanghai Junci Investment Co., Ltd. (上海雋賜投資管理有限公司, "**Shanghai Junci**"), which held approximately 5.66% partnership interests in Zibo Junci as of the Latest Practicable Date. Shanghai Junci is ultimately controlled by Zhang Fenglin (張鳳林). The limited partners of Zibo Junci are Zibo Huahui Equity Investment Partnership (Limited Partnership) (淄博華匯股權投資合夥企業(有限合夥), "**Zibo Huahui**") and Zibo Qingxian Equity Investment Partnership (Limited Partnership) (淄博慶賢股權投資合夥企業(有限合夥), "**Zibo Qingxian**"), which held approximately 60.67% and 33.67% partnership interests in Zibo Junci, respectively, as of the Latest Practicable Date. Both of the general partner of Zibo Huahui and Zibo Qingxian are Shanghai Junci. Zibo Junci is an investment fund which principally focuses on investments in technology industries.
Mr. Zhang Xiangkang	A PRC individual, being an individual private investor.
Huzhou Lianjie	A limited partnership established in the PRC, the general partner and fund manager of which is Hangzhou Fusion Assets Management Co., Ltd. (杭州核聚資產管理有限公司, "**Hangzhou Fusion**"), which held approximately 1.09% partnership interests in Huzhou Lianjie as of the Latest Practicable Date. Hangzhou Fusion is ultimately controlled by Jiang Ping (江平). The largest limited partners of Huzhou Lianjie are Qingdao Guochao Chuangfu Equity Investment Partnership (Limited Partnership) (青島國潮創富股權投資合夥企業(有限合夥), "**Qingdao Guochao**") and Qingdao Carbon Neutral Equity Investment Partnership (Limited Partnership) (青島碳中和股權投資合夥企業(有限合夥), "**Qingdao Carbon Neutral**"), each holding approximately 43.62% partnership interests in Huzhou Lianjie as of the Latest Practicable Date. The general partner of each of Qingdao Guochao and Qingdao Carbon Neutral is Hangzhou Fusion. Huzhou Lianjie is an investment fund which principally focuses on investments in power batteries and other new energy vehicle-related industries.

Name of [REDACTED] Investors	Background
Silver Saddle Fund	A limited partnership established in the PRC, the general partner and fund manager of which is Shanghai Silver Saddle Equity Investment Management Co., Ltd. (上海銀鞍股權投資管理有限公司, "**Shanghai Silver Saddle**"), which held approximately 1.10% partnership interests in Silver Saddle Fund as of the Latest Practicable Date. The largest shareholder of Shanghai Silver Saddle holding 27.5% of its equity interests is Sinochem International Corporation (中化國際(控股)股份有限公司, a company listed on the Shanghai Stock Exchange, stock code: 600500, "**Sinochem International**"). The largest limited partner of Silver Saddle Fund is Sinochem International, which held approximately 30.84% partnership interests in Silver Saddle Fund as of the Latest Practicable Date. No other limited partners held 30% or more partnership interests in Silver Saddle Fund as of the Latest Practicable Date. Silver Saddle Fund is an investment fund which principally focuses on investments in new materials and new energy.
Zhejiang University Education Foundation	A nation-wide non-public foundation approved by the Ministry of Education of the PRC and registered at the Ministry of Civil Affairs of the PRC in July 2006. The foundation accepts donation from all sectors of the society and the funds are mainly used in areas including supporting Zhejiang University's construction of teaching and scientific research facilities, the admission of talents, international exchange funds, fellowships, scholarships and bursaries, the university's educational and other public interest projects.
Longwan Financial Holdings	A limited liability company established in the PRC which is controlled by Wenzhou High-tech Industrial Development Zone State-owned Holding Group Co., Ltd. ("**Wenzhou High-tech Holding**") as to 90% of its equity interests as of the Latest Practicable Date. Wenzhou High-tech Holding is wholly owned by the Wenzhou High-tech Industrial Development Zone Finance Bureau (溫州高新技術產業開發區財政局). Longwan Financial Holdings primarily focuses on investment holding.

Name of [REDACTED] Investors	Background
Wenzhou Gongchuang	A limited liability company established in the PRC and a subsidiary of Wenzhou Industry and Energy Development Group Co., Ltd. (溫州市工業與能源發展集團有限公司, "**Wenzhou Industry**") as of the Latest Practicable Date. Wenzhou Industry is controlled by Wenzhou Municipal People's Government State-owned Assets Supervision and Administration Commission (溫州市人民政府國有資產監督管理委員會) as to approximately 91.63% of its equity interests. Wenzhou Gongchuang primarily focuses on investment and asset management.
Zhongyuan Hejia	A limited partnership established in the PRC, the general partner and fund manager of which is Zhongyuan Hechuang Equity Investment Fund Management (Zhuhai) Co., Ltd. (中源合創股權投資基金管理(珠海)有限公司, "**Zhongyuan Hechuang**"), which held 0.125% partnership interests in Zhongyuan Hejia as of the Latest Practicable Date. Zhongyuan Hechuang is ultimately controlled by Fan Weizhou (樊位洲). The largest limited partner of Zhongyuan Hejia is Beijing Miaosen Investment Co., Ltd. (北京淼森投資有限公司), which held 99.25% partnership interests in Zhongyuan Hejia as of the Latest Practicable Date. Zhongyuan Hejia is an investment fund which principally focuses on investments in high-tech industries such as new energy, new energy vehicles, autonomous driving, and high-end manufacturing.

Name of [REDACTED] Investors	Background
Suzhou NewMargin	A limited partnership established in the PRC, the general partner and fund manager of which is Suzhou NewMargin Future Venture Capital Management Co., Ltd. (蘇州聯創未來創業投資管理有限公司, "**NewMargin Future**"), which held approximately 0.70% partnership interests in Suzhou NewMargin as of the Latest Practicable Date. NewMargin Future is ultimately controlled by Yin Baining (尹柏寧). The largest limited partner of Suzhou NewMargin is Jiaxing Changfeng Ruijun Venture Capital Partnership (Limited Partnership) (嘉興長風瑞鈞創業投資合夥企業(有限合夥), "**Jiaxing Ruijun**"), holding approximately 70.42% partnership interests in Suzhou NewMargin as of the Latest Practicable Date. The general partner of Jiaxing Ruijun is Jiaxing Changfeng Equity Investment Co., Ltd. (嘉興長風股權投資有限公司), which is ultimately controlled by Jin Minfan (金敏凡). Suzhou NewMargin is an investment fund primarily focusing on investment in energy conservation, environmental protection and green energy industries.
3W Global I	A limited liability company incorporated under the laws of the Cayman Islands, and a wholly owned subsidiary of 3W Global Fund as of the Latest Practicable Date. 3W Global Fund is managed by 3W Fund Management Limited as its investment manager. 3W Fund Management Limited is an investment management firm with expertise in equity investments. 3W Global I primarily focuses on investment in new energy sector.
Qingdao Heaven-Sent	A limited partnership established in the PRC, the general partner and fund manager of which is Tibet Shannan Heaven-Sent Changji Investment Management Co., Ltd. (西藏山南硅谷天堂昌吉投資管理有限公司, "**Tibet Heaven-Sent**"), which held 1% partnership interests in Qingdao Heaven-Sent as of the Latest Practicable Date. Tibet Heaven-Sent is a wholly owned subsidiary of Heaven-Sent Group. The limited partners of Qingdao Heaven-Sent holding 30% or more of its partnership interests are Heaven-Sent Group and Qingdao Rongguang Huitong Investment Co., Ltd. (青島榮光匯通投資有限公司), which held 49.0% and 37.4% partnership interests in Qingdao Heaven-Sent, respectively, as of the Latest Practicable Date. Qingdao Heaven-Sent is an investment fund established solely for the purpose of investing in our Group.

Name of [REDACTED] Investors	Background
Lishui Xiangxi	A limited partnership established in the PRC, the general partner and fund manager of which is Hangzhou Xiangxing Private Equity Fund Management Co., Ltd. (杭州相興私募基金管理有限公司, "**Hangzhou Xiangxing**"), which held 0.75% partnership interests in Lishui Xiangxi as of the Latest Practicable Date. Hangzhou Xiangxing is controlled by Huang Jinshuai (黃金帥) as to 95% of its equity interests. The largest limited partner of Lishui Xiangxi is Guanbang Saide (Zibo) Equity Investment Partnership (Limited Partnership) (貫邦賽德(淄博)股權投資合夥企業(有限合夥), "**Guanbang Saide**"), which held 53.00% partnership interests in Lishui Xiangxi as of the Latest Practicable Date. The general partner and fund manager of Guanbang Saide is Zhejiang Guanbang Private Equity Fund Management Co., Ltd. (浙江貫邦私募基金管理有限公司), which is controlled by Zhao Lingzhi (趙靈芝). No other limited partners held 30% or more partnership interests in Lishui Xiangxi as of the Latest Practicable Date. Lishui Xiangxi is an investment fund established solely for the purpose of investing in our Group.
Xiamen Fuxinrui	A limited partnership established in the PRC, the general partner of which is Fujian Fulv Lianxin Fund Management Co., Ltd. (福建福旅聯信基金管理有限公司, "**Fulv Lianxin**"), which held approximately 0.02% partnership interests in Xiamen Fuxinrui as of the Latest Practicable Date. Fulv Lianxin is controlled by Shanghai Lianxin Jusheng Venture Capital Management Co., Ltd. (上海聯信聚盛創業投資管理有限公司, "**Shanghai Lianxin**") as to 52% of its equity interests, and the largest shareholder of Shanghai Lianxin is Liao Baoqin (廖寶琴), holding 48.82% of its equity interests. The fund manager of Xiamen Fuxinrui is Fulv Lianxin. The largest limited partner of Xiamen Fuxinrui is Xiang Hongxia (項紅霞), who held approximately 70.89% partnership interests in Xiamen Fuxinrui as of the Latest Practicable Date. Xiamen Fuxinrui is an investment fund which principally focuses on investments in new energy industries.

Name of [REDACTED] Investors	Background
Hangzhou Longqi	A limited partnership established in the PRC, the general partner and fund manager of which is Hangzhou Longqi Investment Management Co., Ltd. (杭州隆啟投資管理有限公司, "**Longqi Management**"), which held approximately 1.54% partnership interests in Hangzhou Longqi as of the Latest Practicable Date. Longqi Management is controlled by Lin Jian (林鍵) as to 75% of its equity interests. The largest limited partners of Hangzhou Longqi are Dai Lerong (戴樂容) and Chen Xiuzhen (陳秀珍), each holding approximately 34.94% partnership interests in Hangzhou Longqi as of the Latest Practicable Date. Hangzhou Longqi is an investment fund which principally focuses on investments in new energy industries.
Guangdong Guangxin Equity Investment	A limited partnership established in the PRC, the general partner and fund manager of which is Guangxin Fund, which held approximately 0.54% partnership interests in Guangdong Guangxin Equity Investment as of the Latest Practicable Date. The largest limited partner of Guangdong Guangxin Equity Investment is Guangxinrui (Guangzhou) Consulting Partnership (Limited Partnership) (廣新瑞(廣州)諮詢合夥企業(有限合夥)), which held approximately 51.07% partnership interests in Guangdong Guangxin Equity Investment as of the Latest Practicable Date. Guangdong Guangxin Industrial Investment is also a limited partner of Guangdong Guangxin Equity Investment, which held approximately 39.46% partnership interests in Guangdong Guangxin Equity Investment. Guangdong Guangxin Equity Investment is an investment fund which principally focuses on investments in new energy industries.

To the best of our knowledge, information and belief and having made all reasonable enquiries, all the [**REDACTED**] Investors are independent third parties.

Public Float

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

The remaining [**REDACTED**] Domestic Shares and Unlisted Foreign Shares held by certain of our existing Shareholders, representing approximately [**REDACTED**]% of our total issued Shares as of the Latest Practicable Date, or approximately [**REDACTED**] of our total issued Shares upon completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), will be converted into H Shares on a one-for-one basis following the completion of the [**REDACTED**]. Such H Shares will be counted towards the public float of the Company following the completion of the [**REDACTED**]. See "Share Capital – Conversion of Domestic Shares and Unlisted Foreign Shares".

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

[**REDACTED**]

ACQUISITION OF BATTEROTECH SHANGHAI

BatteroTech Shanghai was a limited liability company incorporated in the PRC on July 23, 2020 and was primarily engaged in the R&D, production and sales of EV and ESS lithium-ion batteries from cell level to system application. At the time of establishment, BatteroTech Shanghai was owned by Wenzhou Futang Enterprise Management Partnership (Limited Partnership) (溫州富堂企業管理合夥企業(有限合夥), "**Wenzhou Futang**") as to 11.40%, by Wenzhou Chenshan as to 28.60%, by Shenzhen Jiawei Investment Development Co., Ltd. (深圳市加偉投資發展有限公司, "**Shenzhen Jiawei**"), an independent third party, as to 9.00%, by Ruizhou Energy Co., Ltd. (瑞洲能源有限公司, "**Ruizhou Energy**"), a wholly owned subsidiary of Yongqing Technology, as to 11.00% and by Ruitu Energy as to 40.00%. Wenzhou Futang and Wenzhou Chenshan are shareholding platforms of the employees of BatteroTech Shanghai, the general partners of which are Mr. Zhong Kaifu (鍾開富), a member of the management team of BatteroTech Shanghai, and Mr. Zhang Wutang (張五堂), a director and the general manager of BatteroTech Shanghai. BatteroTech Shanghai has been controlled by the Controlling Shareholders since its establishment.

On August 16, 2021, the Company acquired the 51% shareholding in BatteroTech Shanghai from Ruitu Energy and Ruizhou Energy at a consideration of RMB40 million and RMB11 million, respectively. The considerations were determined based on the amount of the registered capital of BatteroTech Shanghai being transferred, and were fully settled on August 24, 2021. On the same day, Shanghai Wanlu Investment Co., Ltd. (上海萬祿投資有限公司, "**Shanghai Wanlu**"), an independent third party, acquired the 9% shareholding in BatteroTech Shanghai from Shenzhen Jiawei at a consideration of RMB11 million. Such consideration was determined based on arm's length negotiations between Shenzhen Jiawei and Shanghai Wanlu. Upon completion of the equity transfer, BatteroTech Shanghai was owned as to 51% of its equity interests by the Company.

On August 16, 2021, the Company, Wenzhou Chenshan, Wenzhou Futang and Shanghai Wanlu further contributed RMB659 million, RMB114.4 million, RMB45.6 million and RMB81 million to BatteroTech Shanghai, respectively, which were fully credited as the registered capital of BatteroTech Shanghai. Upon completion of the capital contribution, the registered capital of BatteroTech Shanghai increased from RMB100 million to RMB1,000 million.

The table below sets forth the shareholding structure of BatteroTech Shanghai as at the Latest Practicable Date.

Name	Registered capital	Equity interest percentage
	(RMB, million)	*(%)*
The Company	710	71.00
Wenzhou Chenshan	143	14.30
Shanghai Wanlu	90	9.00
Wenzhou Futang	57	5.70
Total	**1,000**	**100.00**

As advised by our PRC Legal Advisor, the acquisition of BatteroTech Shanghai has been properly and legally completed according to applicable PRC laws and regulations and any necessary approvals from the relevant authorities have been obtained as at the Latest Practicable Date. The Company had not carried out any major acquisitions during the Track Record Period and up to the Latest Practicable Date pursuant to Rule 4.05A of the Listing Rules.

OUR SUBSIDIARIES

BatteroTech Shanghai

For details of BatteroTech Shanghai, see "– Acquisition of BatteroTech Shanghai" above.

BatteroTech Jiashan

BatteroTech Jiashan was incorporated in the PRC on December 9, 2020. As of the Latest Practicable Date, BatteroTech Jiashan is a wholly owned subsidiary of BatteroTech Shanghai and is primarily engaged in the R&D, production and sales of EV and ESS lithium-ion batteries from cell level to system application.

REPT Qingchuang

REPT Qingchuang was incorporated in the PRC on January 2, 2018. REPT Qingchuang has been wholly owned by the Company since its establishment and primarily serves as a R&D base for EV and ESS lithium-ion batteries from cell level to system application.

Wenzhou Xinke

Wenzhou Xinke was incorporated in the PRC on April 24, 2020. Wenzhou Xinke has been wholly owned by Zhejiang Ruixu since its establishment and is primarily engaged in aluminum shell processing and machining.

Wenzhou Qianshi

Wenzhou Qianshi was incorporated in the PRC on November 15, 2021. Wenzhou Qianshi is an employee shareholding platform of Guangdong REPT BATTERO. As of the Latest Practicable Date, the general partner of Wenzhou Qianshi is Zhejiang Ruiyuan, and its only limited partner is Mr. Xiang Bingqiu (項秉秋), an independent third party.

Zhejiang Ruixu

Zhejiang Ruixu was incorporated in the PRC on December 6, 2019. Zhejiang Ruixu has been wholly owned by the Company since its establishment. As of the Latest Practicable Date, Zhejiang Ruixu has not commenced business operation, and intends to primarily engage in sales of battery products overseas.

Zhejiang Ruiyuan

Zhejiang Ruiyuan was incorporated in the PRC on June 6, 2022. Zhejiang Ruiyuan has been wholly owned by the Company since its establishment. As of the Latest Practicable Date, Zhejiang Ruiyuan has not commenced business operation, and intends to primarily serve as an investment holding platform of the Group.

Guangdong REPT BATTERO

Guangdong REPT BATTERO is a limited liability company incorporated in the PRC on July 27, 2021. As of the Latest Practicable Date, Guangdong REPT BATTERO is controlled by the Company, with 80% of its equity interests directly held by the Company, and 20% of its equity interests indirectly controlled by the Company through Wenzhou Qianshi. As of the Latest Practicable Date, Guangdong REPT BATTERO has not commenced business operation, and intends to primarily engage in the production and sales of EV and ESS lithium-ion batteries from cell level to system application.

REPT SAIC

REPT SAIC is a limited liability company incorporated in the PRC on April 15, 2022. As of the Latest Practicable Date, REPT SAIC is owned as to 51% of its equity interests by the Company, 44% of its equity interests by Liuzhou Saike Technology Development Co., Ltd. (柳州賽克科技發展有限公司, "**Liuzhou Saike**"), and 5% of its equity interests by Liuzhou Ruiyu Technology Partnership (Limited Partnership) (柳州瑞譽科技合夥企業(有限合夥), "**Liuzhou Ruiyu**"). Liuzhou Saike is a wholly owned sub-subsidiary of SAIC Motor (上汽集團). Liuzhou Ruiyu is a shareholding platform intended for the employees of REPT SAIC, the general partner of which is Liuzhou Qingyu Information Technology Services Co., Ltd. (柳州青宇信息技術服務有限公司), which is wholly owned by Mr. Yu Zhaoyu, our vice president. As of the Latest Practicable Date, REPT SAIC has not commenced business operation, and intends to primarily engage in the production and sales of EV and ESS lithium-ion batteries from cell level to system application.

BatteroTech Wuhan

BatteroTech Wuhan was incorporated in the PRC on August 20, 2019. As of the Latest Practicable Date, BatteroTech Wuhan is wholly owned by BatteroTech Shanghai. As of the Latest Practicable Date, BatteroTech Wuhan has not commenced business operation.

Chongqing REPT BATTERO

Chongqing REPT BATTERO was incorporated in the PRC on March 1, 2023. As of the Latest Practicable Date, Chongqing REPT BATTERO is wholly owned by the Company. As of the Latest Practicable Date, Chongqing REPT BATTERO has not commenced business operation.

BatteroTech Jiaxing

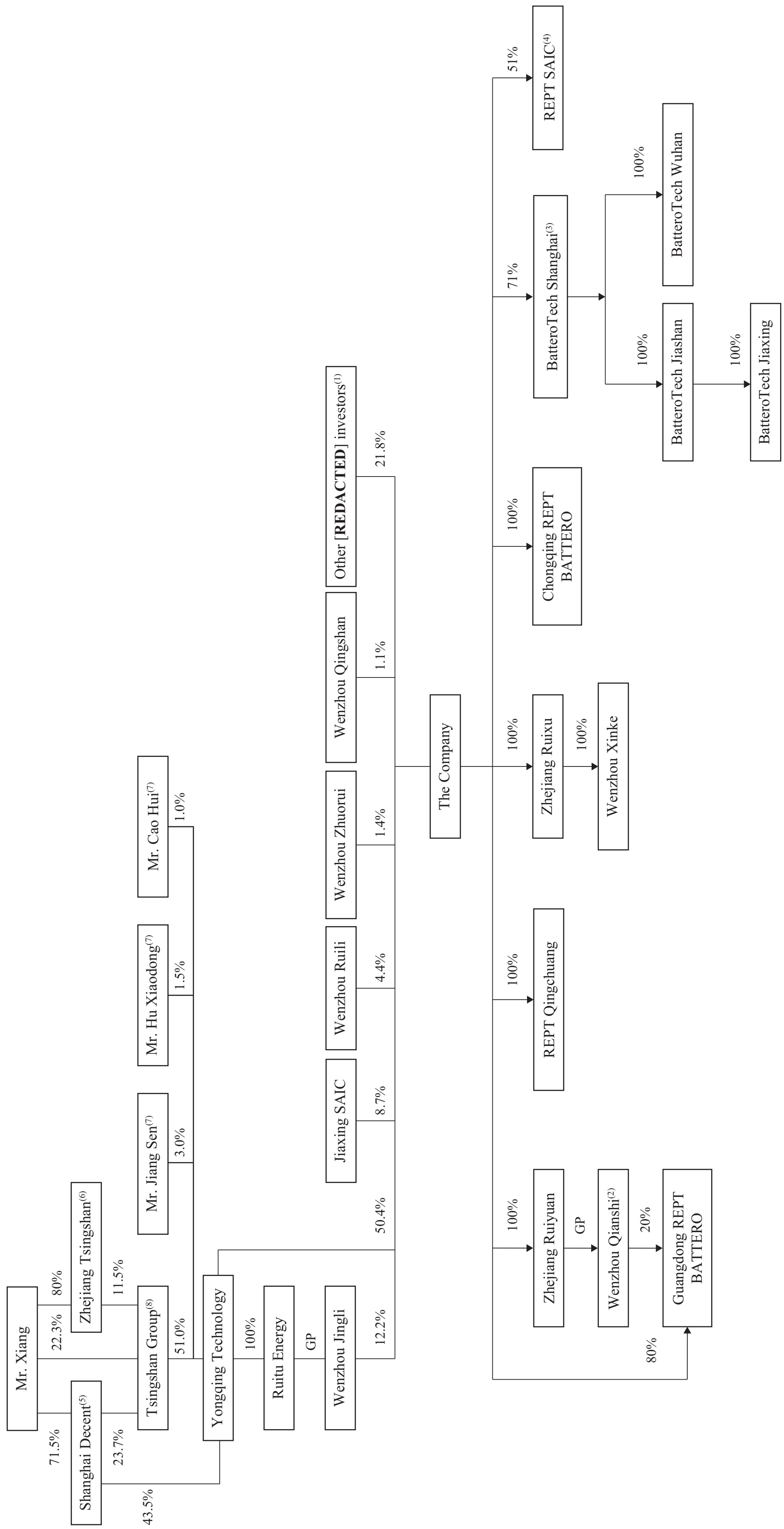
BatteroTech Jiaxing was incorporated in the PRC on April 11, 2023. As of the Latest Practicable Date, BatteroTech Jiaxing is wholly owned by BatteroTech Jiashan. As of the Latest Practicable Date, BatteroTech Jiaxing has not commenced business operation.

COMPLIANCE WITH LAWS AND REGULATIONS

As advised by the PRC Legal Advisor, the Company has fulfilled asset evaluation, capital verification and other necessary procedures in respect of its establishment, and the establishment method and procedures were in compliance with the then applicable PRC laws and regulations; the promoters' agreement among the then shareholders of the Company, pursuant to which the Company was converted into a joint stock limited liability company, was in compliance with applicable PRC laws and regulations and there is no potential dispute regarding such promoters' agreement; the shareholding and capital structure of the Company at the time of its establishment were valid and in compliance with applicable PRC laws and regulations, and the Company has complied with applicable PRC laws and regulations in all material respects in relation to the changes of its shareholdings.

CORPORATE STRUCTURE OF THE COMPANY

Corporate Structure Immediately prior to the [REDACTED]



Notes:

(1) See "– *Details of The* [**REDACTED**] *Investments*" for more information about other [**REDACTED**] Investors and their respective shareholding.

(2) The only limited partner of Wenzhou Qianshi is Mr. Xiang Bingqiu, an independent third party, who held 0.0005% partnership interests in Wenzhou Qianshi.

(3) The remaining shareholders of BatteroTech Shanghai are Wenzhou Chenshan, which held 14.30% equity interests in BatteroTech Shanghai, Shanghai Wanlu, which held 9.00% equity interests in BatteroTech Shanghai, and Wenzhou Futang, which held 5.70% equity interests in BatteroTech Shanghai. Wenzhou Futang and Wenzhou Chenshan are shareholding platforms of the employees of BatteroTech Shanghai, and Shanghai Wanlu is an independent third party of the Company.

(4) The remaining shareholders of REPT SAIC are Liuzhou Saike, which held 44% equity interests in REPT SAIC, and Liuzhou Ruiyu, which held 5% equity interests in REPT SAIC. Liuzhou Saike is a wholly owned sub-subsidiary of SAIC Motor (上汽集團). Liuzhou Ruiyu is a shareholding platform intended for the employees of REPT SAIC, the general partner of which is Liuzhou Qingyu Information Technology Services Co., Ltd., which is wholly owned by Mr. Yu Zhaoyu, our vice president.

(5) The remaining shareholders of Shanghai Decent (the "**Remaining Shanghai Decent Shareholders**") are Mr. Xiang Guangtong (項光通), who held 16% equity interests in Shanghai Decent, Mr. Zhang Jimin (張積敏), who held 5% equity interests in Shanghai Decent, Mr. Huang Weifeng (黃衛峰), who held 3% equity interests in Shanghai Decent, Mr. Wang Haijun, who held 1.5% equity interests in Shanghai Decent, Mr. Lv Shen (呂申), who held 1.5% equity interests in Shanghai Decent, and Ms. Sun Jianfen (孫建芬), who held 1.5% equity interests in Shanghai Decent. Mr. Xiang Guangtong is Mr. Xiang's brother. Mr. Zhang Jimin is the spouse of Ms. Xiang Airong (項愛容), who is Mr. Xiang's sister. Mr. Wang Haijun is our non-executive Director. Mr. Huang Weifeng, Mr. Lv Shen and Ms. Sun Jianfen are independent third parties of the Company.

(6) The other shareholder of Zhejiang Tsingshan is Mr. Xiang Guangtong, who held 20% equity interests in Zhejiang Tsingshan.

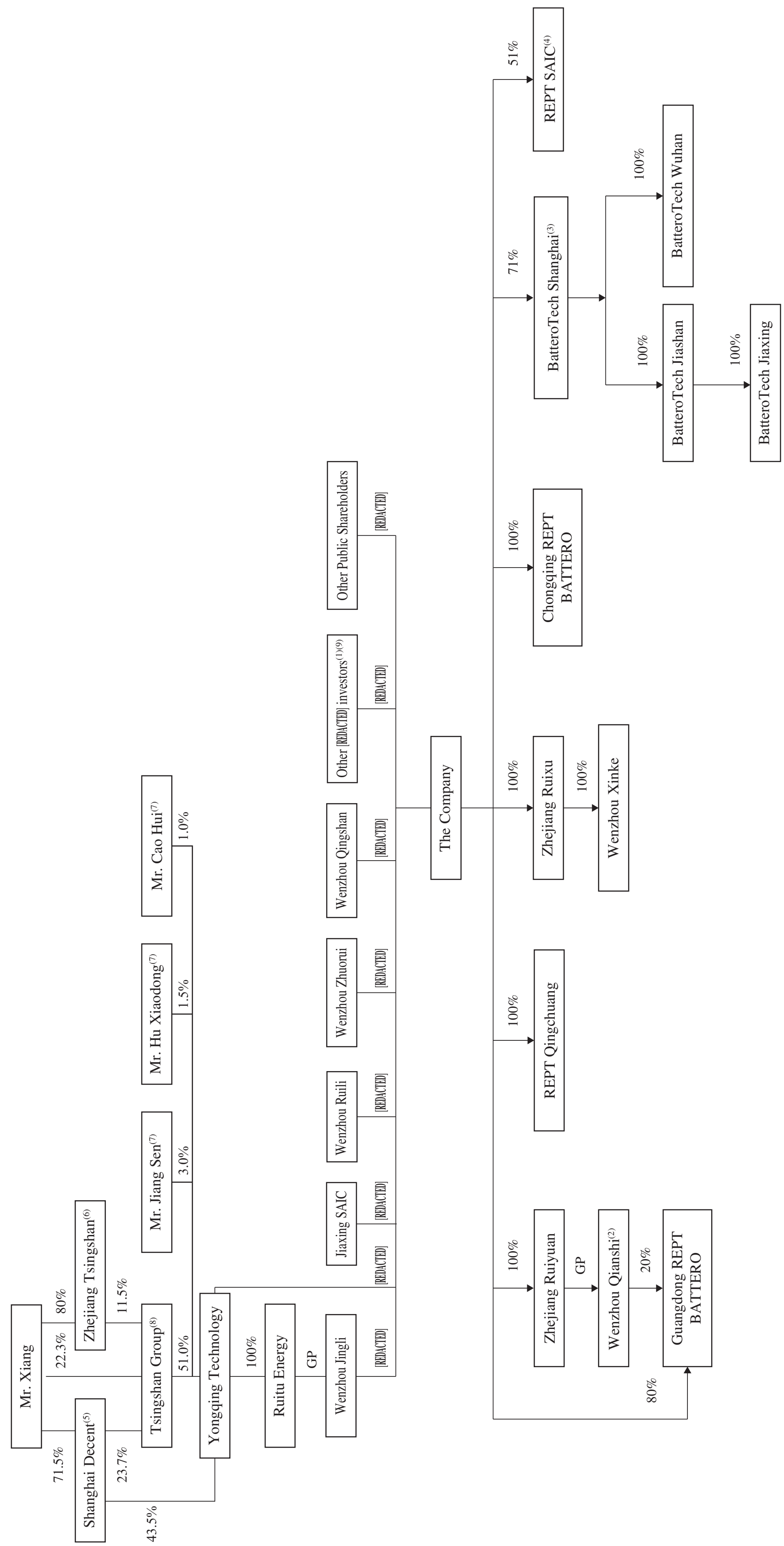
As (i) none of the Remaining Shanghai Decent Shareholders or Mr. Xiang Guangtong is a close associate of any members of the group of Controlling Shareholders, (ii) there is no act-in-concert agreement between any of the Remaining Shanghai Decent Shareholders or Mr. Xiang Guangtong and the members of the group of Controlling Shareholders; and (iii) each of Shanghai Decent and Zhejiang Tsingshan is not established solely for the purpose of acting as a common investment holding company (namely SPV) for its shareholders to invest in the Company, and also engages in other businesses, and therefore is not an SPV (the shareholders of which would be presumed to be a group of controlling shareholders pursuant to Guidance Letter HKEx-GL89-16) within the meaning of Guidance Letter HKEx-GL89-16, Mr. Xiang Guangtong and the Remaining Shanghai Decent Shareholders do not form a part of the group of Controlling Shareholders.

(7) As (i) Mr. Jiang Sen, Mr. Hu Xiaodong and Dr. Cao Hui are not close associates of any members of the group of Controlling Shareholders, (ii) there is no act-in-concert agreement between any of Mr. Jiang Sen, Mr. Hu Xiaodong, Dr. Cao Hui and the other members of the group of Controlling Shareholders; and (iii) Yongqing Technology is not established solely for the purpose of acting as a common investment holding company (namely SPV) for its shareholders to invest in the Company and Yongqing Technology also has other equity investments and operates trading business, and therefore is not an SPV (the shareholders of which would be presumed to be a group of controlling shareholders pursuant to Guidance Letter HKEx-GL89-16) within the meaning of Guidance Letter HKEx-GL89-16, Mr. Jiang Sen, Mr. Hu Xiaodong and Dr. Cao Hui do not form a part of the group of Controlling Shareholders.

(8) The remaining shareholders of Tsingshan Group (the "**Remaining Tsingshan Group Shareholders**") are Mr. Xiang Guangtong, who held 8% equity interest in Tsingshan Group, Mr. Sun Yuanlin (孫元磷), who held 5% equity interest in Tsingshan Group, Mr. Zhang Jimin, who held 5% equity interest in Tsingshan Group, Mr. He Congzhen (何叢珍), who held 4% equity interest in Tsingshan Group, Mr. Feng Shaode (馮紹德), who held 4% equity interest in Tsingshan Group, Mr. Jiang Haihong (姜海洪), who held 4% equity interest in Tsingshan Group, Mr. Xiang Bingxue (項秉雪), who held 4% equity interest in Tsingshan Group, Mr. Chen Shangsong (陳上松), who held 3% equity interest in Tsingshan Group, Mr. Zhang Jilun (張積倫), who held 2% equity interest in Tsingshan Group, Ms. Xiang Haiyan (項海燕), who held 2% equity interest in Tsingshan Group, and Mr. Xu Yonghe (許永鶴), who held 1.5% equity interest in Tsingshan Group. Mr. Xiang Guangtong is Mr. Xiang's brother. Ms. Xiang Haiyan is Mr. Xiang's sister. Mr. Zhang Jimin is the spouse of Mr. Xiang's sister. Mr. Zhang Jilun is Mr. Zhang Jimin's brother. Mr. Sun Yuanlin, Mr. He Congzhen, Mr. Feng Shaode, Mr. Jiang Haihong, Mr. Xiang Bingxue, Mr. Chen Shangsong, and Mr. Xu Yonghe are independent third parties of the Company.

As (i) none of the Remaining Tsingshan Group Shareholders is a close associate of any members of the group of Controlling Shareholders, (ii) there is no act-in-concert agreement between any of the Remaining Tsingshan Group Shareholders and the other members of the group of Controlling Shareholders; and (iii) Tsingshan Group is not established solely for the purpose of acting as a common investment holding company (namely SPV) for its shareholders to invest in the Company and Tsingshan Group also has other businesses, and therefore is not an SPV (the shareholders of which would be presumed to be a group of controlling shareholders pursuant to Guidance Letter HKEx-GL89-16) within the meaning of Guidance Letter HKEx-GL89-16, the Remaining Tsingshan Group Shareholders do not form a part of the group of Controlling Shareholders.

Corporate Structure Immediately Following the [REDACTED] (Assuming [REDACTED] is not Exercised)



Notes: See Notes (1) to (8) to the Corporate Structure Immediately prior to the [**REDACTED**].

(9) Among these [**REDACTED**] investors, 24 Shareholders [have] applied to convert [**REDACTED**] Domestic Shares and Unlisted Foreign Shares in aggregate held by them into H Shares upon [**REDACTED**], representing approximately [**REDACTED**] of the enlarged issued share capital of the Company (assuming [**REDACTED**] is not exercised). As each of these 24 Shareholders will hold less than 10% of the Shares of the Company upon [**REDACTED**] and is not accustomed to take instructions from core connected persons in relation to the acquisition, disposal, voting or other disposition of their Shares and their acquisition of Shares were not financed directly or indirectly by core connected persons, they will not be the core connected persons of the Company upon [**REDACTED**], and the H Shares held by them will be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules after the [**REDACTED**]. See "Share Capital – Conversion of Domestic Shares and Unlisted Foreign Shares".

The information and statistics presented in this section and other sections of this document, unless otherwise indicated, were extracted from different official government publications and other publications, and from the industry report prepared by Frost & Sullivan, an independent market research and consulting company that was commissioned by us, in connection with this [**REDACTED**]. *The information from official government sources has not been independently verified by us, the* [**REDACTED**], *Joint Sponsors,* [**REDACTED**], [**REDACTED**], *any of the* [**REDACTED**], *any of their respective directors and advisers, or any other persons or parties involved in the* [**REDACTED**], *and no representation is given as to its accuracy.*

SOURCES OF INFORMATION

We have engaged Frost & Sullivan, an independent market research consultant, to analyze China's lithium-ion battery industry and prepare a report for use in this document, for which we have agreed to pay an engagement fee of RMB600,000. Frost & Sullivan has prepared this report based on data published by government agencies and non-governmental organizations and its research. The forecasts and assumptions contained in the F&S Report are inherently uncertain and may differ materially from actual results due to events or combinations of events that cannot be reasonably foreseen, including the actions of governments, individuals, third parties and competitors. Specific factors resulting in such differences may include risks inherent in the lithium-ion battery industry in China, financial risks, labor risks, supply risks, regulatory risks and environmental issues. Unless otherwise stated, all data and forecasts contained in this section have been derived from the F&S Report and were based on desktop research, expert interviews, and analysis and estimates by Frost & Sullivan. The Directors confirm that, having exercised reasonable care, there have been no adverse changes in market information, taken as a whole since the date of the F&S Report, that would materially limit, contradict or adversely affect these data.

F&S Report

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

OVERVIEW OF LITHIUM-ION BATTERY INDUSTRY

Definition and Classification of Lithium-ion Battery

A lithium-ion battery is a type of rechargeable battery composed of cells in which lithium ions move from the negative electrode through electrolytes to the positive electrode during discharge and back when charging.

By cathode materials, lithium-ion batteries can be classified into: (1) LFP battery, with its cathode materials mainly composed of lithium, iron and phosphate; (2) ternary battery, with its cathode materials mainly composed of lithium, nickel, cobalt and manganese (NCM) or lithium, nickel, cobalt and aluminum oxides (NCA); (3) other lithium-ion batteries, including LCO batteries (lithium and cobalt), LMO batteries (lithium and manganese oxide), LMFP batteries (lithium, iron, manganese and phosphate), LTO batteries (lithium titanate oxide). LFP and ternary batteries currently dominate the lithium-ion battery market for new energy applications.

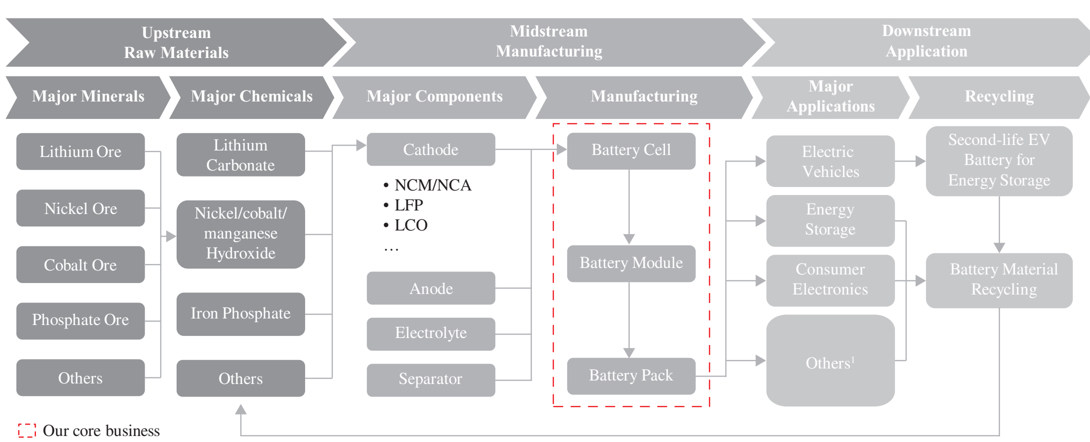
By the package shape of the battery cell, lithium-ion batteries can be classified into cylindrical cell, prismatic cell and pouch cell. Prismatic cell currently takes up the majority share of the lithium-ion battery market for new energy applications.

Overview of Lithium-ion Battery Value Chain

The lithium-ion battery value chain mainly includes five stages: (1) mining and processing of minerals; (2) cell components manufacturing; (3) battery cell, battery module and battery pack manufacturing; (4) battery end uses; (5) battery recycling.

Lithium-ion batteries are mainly used in (1) electric vehicles ("EVs") to power the electric motors; (2) energy storage systems ("ESSs") to store electrical energy in renewables resources and power stations; (3) other uses including consumer electronics, electric two-wheelers and electric tools. Lithium-ion batteries used in EVs and ESSs are together referred to as lithium-ion batteries for new energy applications.

Value Chain Analysis of Lithium-ion Battery Industry



Source: Frost & Sullivan

1 Others include electric two-wheelers, electric tools, etc.

LITHIUM-ION BATTERY MARKET DEMAND

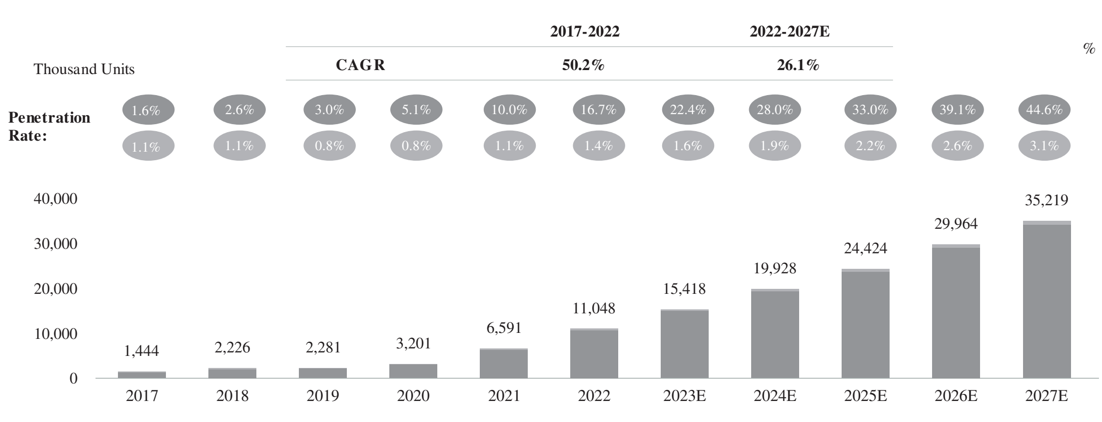
Overview of EV Battery Demand

Overview of EV Market

Electric vehicles mainly comprise of battery electric vehicle ("BEV") and plug-in hybrid electric vehicle ("PHEV"). BEV refers to vehicles propelled solely by electric motors using battery. PHEV refers to vehicles that have an internal combustion engine with a motor along with a battery connected in parallel to the internal combustion engine. The extended-range electric vehicle ("EREV") is also a type of PHEV. Electric vehicles can be categorized by vehicle type, into passenger electric vehicle ("passenger EV") and commercial electric vehicle ("commercial EV").

Major economies have issued favorable policies that will drive the growth of the EV market. Major policies mainly focus on setting electrification target, providing subsidies for EV manufacturers, and promoting carbon neutrality and higher emission standards. For example, China 14th Five-Year Plan defines the EV industry as one of the new pillars of China's industrial system and the Chinese government encourages public institutions to adopt more EVs, and targets more than 30% of newly added vehicles to be EVs; in September 2022, Chinese authorities also announced to extend the exemption of purchase taxes on NEVs to the end of 2023. U.S.'s Clean Energy for America Act further increases the tax credit per EV assembled in the U.S. Driven by the favorable government policies, continuous technology improvement and cost reduction, global EV market has achieved remarkable growth in the past and is expected to continue to grow. Global EV sales volume increased from 1,444 thousand units in 2017 to 11,048 thousand units in 2022 at a CAGR of 50.2%. The sales volume is expected to further increase to 35,219 thousand units in 2027, representing a 26.1% CAGR between 2022 and 2027, with penetration rates amounting to 44.6% and 3.1% for passenger and commercial EV respectively.

EV Sales Volume Forecast, Global, 2017 – 2027E

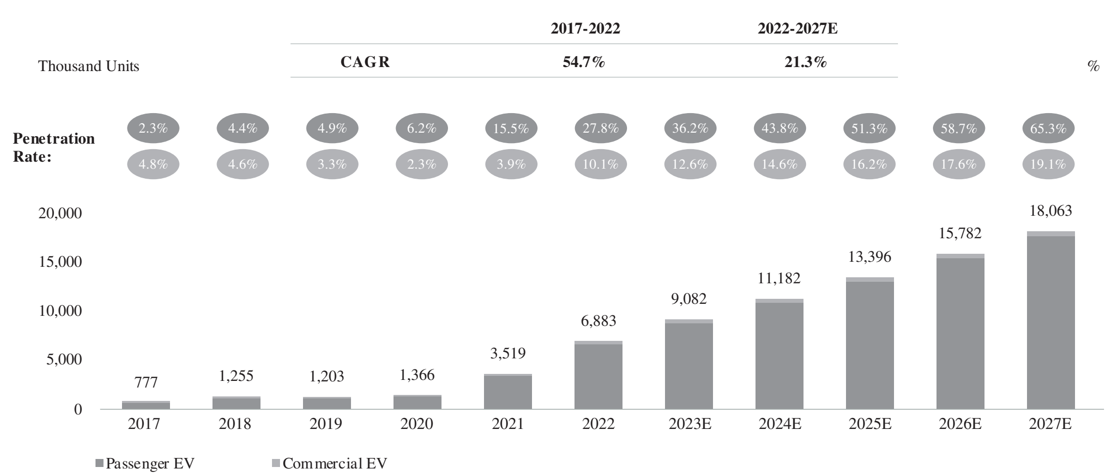


Source: Frost & Sullivan

China was the world's largest EV market by sales volume in 2022, with a sales volume of 6,883 thousand units. Over the past few years, China has promulgated favorable policies that drive the development of the EV industry. Chinese government started granting subsidies to EV buyers in 2010 to level the price difference with the combustion engine vehicles and to support the commercialization of EV. Originally the subsidy was set to end at the end of 2020 and it was extended to the end of 2022 due to the pandemic impact. Since January 1, 2023, the government no longer provides subsidies to EV buyers. Some EV OEMs cut prices in early 2023, considering the increasing competition due to weak demand expected in Q1 2023 as the first quarter is typically low season for vehicle sales, as well as price cuts in Internal Combustion Engine ("ICE") vehicles as traditional automakers were selling off their older inventories before stricter national emissions standards come into effect in July 2023. The price cuts on the one hand boosted EV sales, but on the other hand added pressure on the margin to the whole value chain including the EV battery manufacturers.

Despite the short-term disturbance, the EV market is expected to continue growing. EV sales volume in China is expected to reach 18,063 thousand units, growing at a 21.3% CAGR from 2022 to 2027, with penetration rates being 65.3% and 19.1% for passenger EV and commercial EV respectively.

EV Sales Volume Forecast, China, 2017 – 2027E



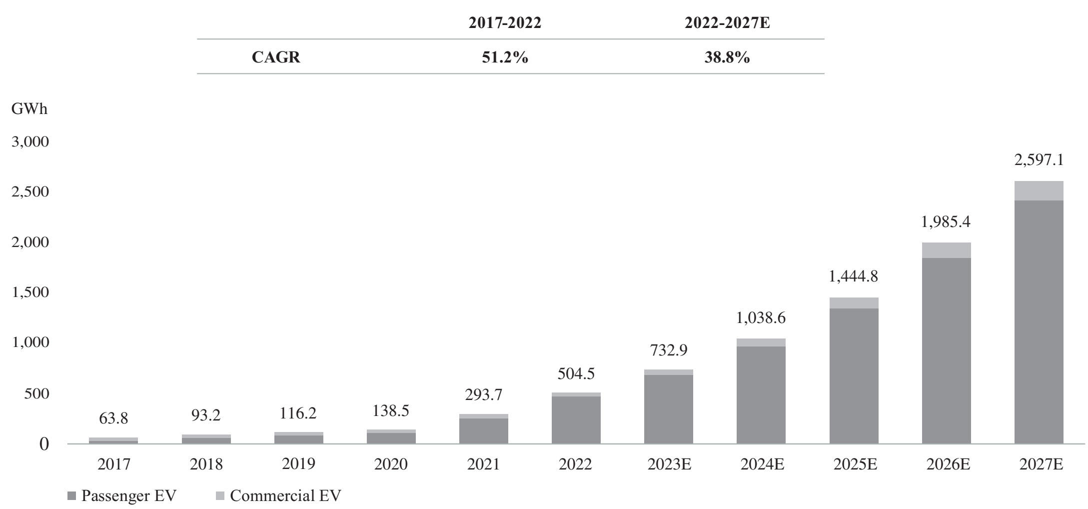
Source: Frost & Sullivan

Overview of EV Battery Market

EV battery is the power source of the entire EV and directly affects the performance including cruise range, safety, service life, charging time and adaptability of temperature. Lithium-ion batteries are widely adopted in EVs with its advantages of high energy density, more compact, long cycle life and high safety performance. Although there are several emerging new technology paths for EV batteries such as sodium-ion batteries and fuel cells, those are still in the early development stage and there remains gaps to realize mass production. Lithium-ion batteries will continue to dominate the EV battery market in the near future.

Driven by the increasing demand of downstream EVs, the global and China EV battery markets experienced strong growth and strong momentum is expected to continue in the near future. The global annual EV battery installations increased from 63.8GWh in 2017 to 504.5GWh in 2022 with a CAGR of 51.2%. It is expected to further grow to 2,597.1GWh in 2027, representing a CAGR of 38.8% between 2022 to 2027.

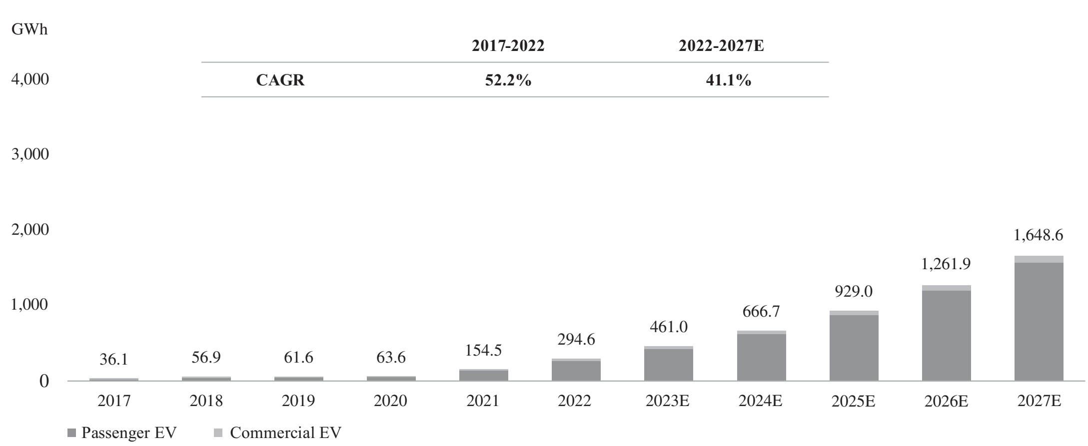
EV Battery Annual Installations[1], Global, 2017 – 2027E



Source: Frost & Sullivan

The annual installation of EV battery in China increased from 36.1GWh in 2017 to 294.6GWh in 2022, representing a CAGR of 52.2%. It is expected to reach 1,648.6GWh by 2027, with a CAGR of 41.1% between 2022 and 2027.

EV Battery Annual Installations, China, 2017 – 2027E

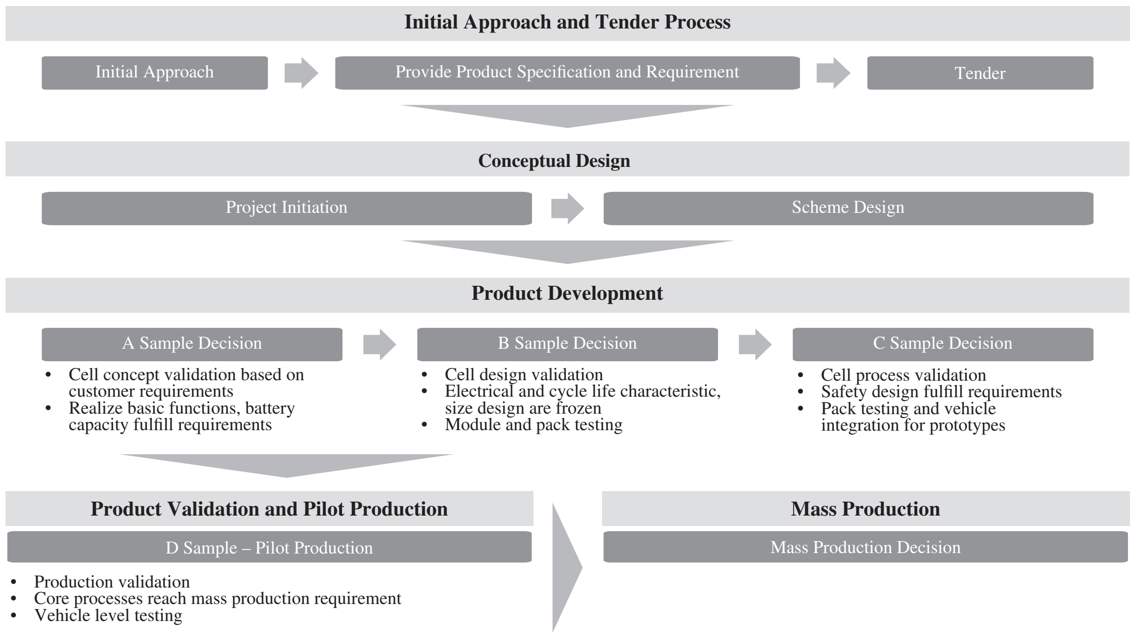


Source: Frost & Sullivan

Note:

(1) Installations refer to the actual batteries volume installed in downstream applications such as EVs and ESSs, which is an industry recognized metric for market size and market share analysis.

Selection Process of EV Battery Suppliers



Source: Frost & Sullivan

Ternary and LFP Batteries for EV in China

Ternary battery and LFP battery are the major types of lithium-ion batteries that are applied in EVs. Generally, ternary batteries have higher energy density and higher charging efficiency but have to meet higher technical requirements to assure battery safety, while LFP batteries have longer cycle life and lower materials cost. Benefiting from government subsidies, ternary batteries with higher energy density gained the most of market share from 2018 to 2020 in China. From 2021 onwards, LFP battery has become more widely applied in EVs than ternary battery in China mainly due to the following drivers:

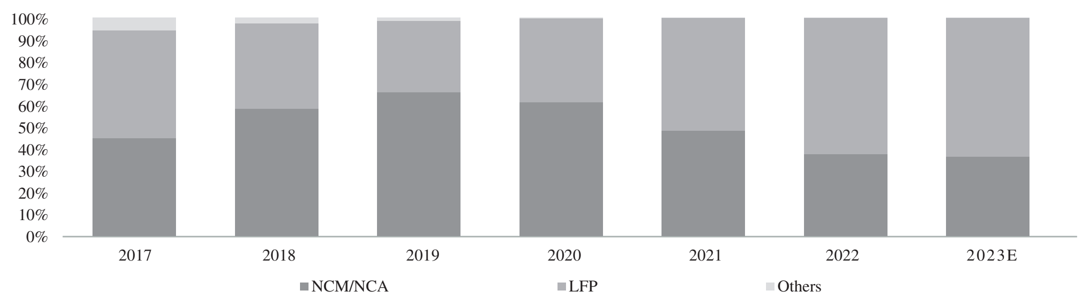
- Inherent advantages over ternary battery: LFP battery has better thermal stability with better safety characteristic, higher cycle life which normally reaches 2,000 – 4,000 cycles, as well as lower cost;

- Abundant upstream raw materials: Ferrous lithium phosphate is used as cathode material of LFP battery, which is abundant in nature, while ternary battery contains metals such as cobalt and nickel, which are scarce resources that are more vulnerable to supply and price fluctuations;

- Suitability for vehicle application: Although the energy density of LFP battery is lower than that of ternary battery, the battery capacity is sufficient for daily commuting, which makes LFP battery more suitable for low-and middle-end EVs to keep costs down and provide cost-effective options, which caters to the affordability needs of the large population base in China;

- OEMs applying LFP battery successively: As Chinese EV battery manufacturers continue to develop and introduce LFP battery with higher energy density based on cutting-edge technologies, downstream OEMs continue to apply more LFP batteries to their vehicle models, in consideration of the improving drive range and lower safety risks LFP battery provides.

EV Battery Annual Installations Percentage Breakdown, by Battery Type, China, 2017 – 2023E



Source: Frost & Sullivan

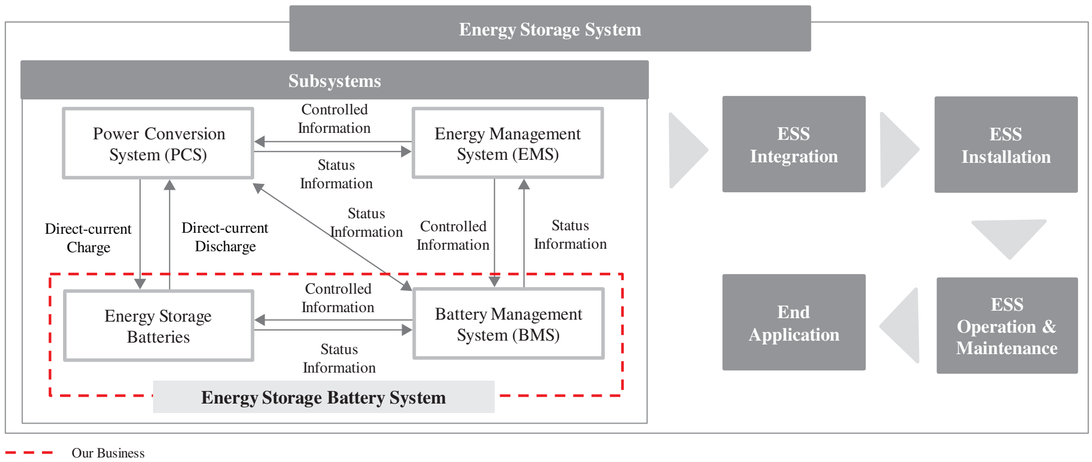
Overview of ESS Battery Demand

Introduction of Energy Storage System and ESS Battery

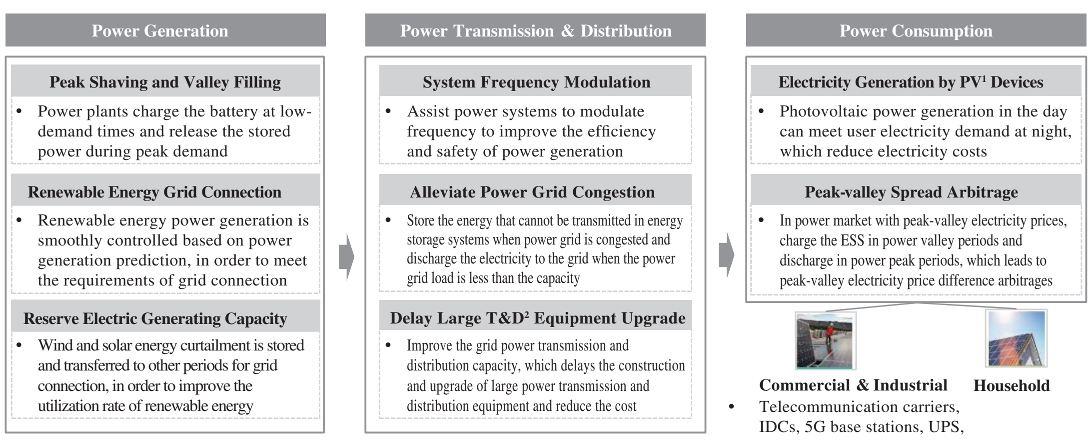
Energy storage system refers to the device of converting various energy forms from power generating systems into a form that can be stored for converting back to electrical energy when needed. With the development of renewable energy, the demand for ensuring energy stability has increased significantly, since renewable energy such as wind and solar power frequently meets problems of intermittency and volatility. There are two major energy storage technologies, namely mechanical energy storage which takes advantage of kinetic or gravitational forces to store energy, as well as electrochemical energy storage which stores energy in a chemical form. Pumped hydro storage is a kind of mechanical energy storage technology and is the most mature power storage technology, accounting for approximately 90% of cumulative installed energy storage capacities globally. Compared to pumped hydro technology, electrochemical energy storage has been growing rapidly in recent years, with its advantage of strong environmental adaptability and economic suitability. Electrochemical energy storage batteries include lithium-ion batteries, lead-acid batteries, sodium-sulfur batteries and flow batteries, among which lithium-ion batteries currently have the dominant position due to cost effectiveness and optimal physical performance.

Electrochemical energy storage battery system is mainly composed of ESS battery (in the form of module), battery management system ("BMS"), energy management system ("EMS"), and power conversion system ("PCS"). According to Frost & Sullivan, ESS battery module takes up approximately 60% of the total cost.

Energy Storage System Overview



Electrochemical energy storage battery system is widely used in various applications in the energy storage systems from power generation, power transmission and distribution to power consumption.



Source: Frost & Sullivan

1 PV refers to photovoltaic

2 T&D refers to power transmission and distribution

Overview of ESS Market

The ESS market is primarily driven by government policies globally. With the "carbon-neutral" target, governments in major economies have released a series of policies to encourage the development of renewable energy and ESS projects. For example, China issued 14th Five-Year Plan on New Energy Storage Development Implementation Plan, which promotes the scale-up and industrialization of ESS market, targeting to enhance the technological performance of electrochemical ESSs and reduces the systematic cost by over 30% by 2025. To achieve this goal, R&D and commercialization of new energy storage solutions are encouraged to support China's carbon neutrality target. China also issued Blue Book of New Power System Development in January 2023, which encourages the development of energy storage multi-technology routes in multi-application scenarios in large scale to meet the demand of the power system for intra-day balance adjustment. In April 2023, China published *Guiding Opinions on Strengthening the Stability of New Power Systems*, pointing out that the government should actively promote the construction of new energy storage and fully leverage the advantages of various new energy storage technologies and explore new scenarios for integrated energy storage development so as to improve the power system security and efficiency. U.S.'s Better Energy Storage Technology Act provides US$50 million for demonstration programs of ESSs in each of fiscal years from 2020 through 2024. Supportive policies, lucrative subsidies and more established business models are expected to drive ESS adoption around the world. Growing integration needs for renewable energy and the increased frequency of extreme events will make energy storage a critical element in many power systems globally.

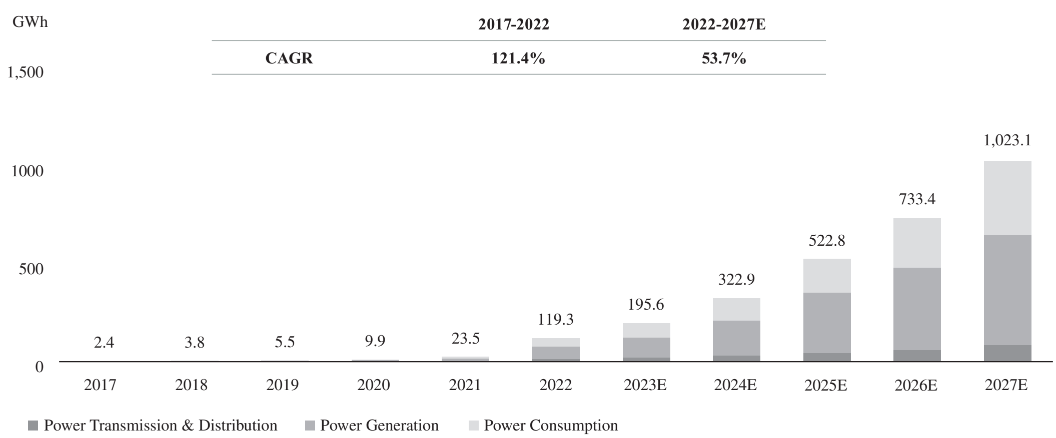
From 2016 to 2022, the global cumulative installations of the ESS market increased from 168.7 GW to 274.6 GW, and the global cumulative installations of electrochemical energy storage increased from 1.8 GW to 80.3 GW, accounting for 29.3% of the total energy storage market in 2022. In particular, from 2016 to 2022, the global cumulative installations of lithium-ion battery energy storage increased from 1.2 GW to 78.8 GW, accounting for 98.2% of the total electrochemical energy storage market in 2022. Lithium-ion battery energy storage is dramatically expanding its market share in the global energy storage industry.

Overview of ESS Lithium-ion Battery Market

According to Frost & Sullivan, global annual ESS battery installations increased at a CAGR of 121.4% from 2.4GWh in 2017 to 119.3GWh in 2022. ESS battery will be applied in a wider range of scenarios in the future. With the increasing global penetration of energy storage in industrial, commercial and household uses, and the rapidly growing number of 5G base stations, power consumption will become one of the most important categories for ESS batteries uses. As a result, it is expected that annual ESS battery installation will continue to increase at a CAGR of 53.7% from 2022 to 2027 and achieve 1,023.1GWh by 2027.

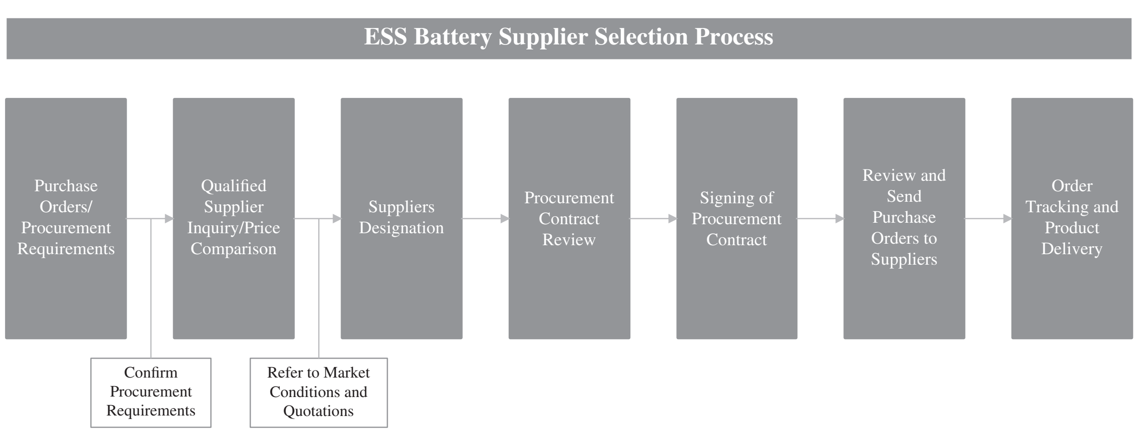
According to Frost & Sullivan, LFP batteries dominate the ESS battery market with over 90% market share. Most of the leading Chinese ESS battery manufacturers have served the global downstream customers and played a critical role in the value chain of global ESS market. The leading Chinese manufacturers have established mature energy storage industry chains with large-scale lithium-ion battery production bases, which have contributed to significant competitive advantages in terms of safety and performance, production cost and supply chain.

ESS Battery Annual Installations, by Downstream Applications, Global, 2017 – 2027E



Source: Frost & Sullivan

Selection Process of ESS Battery Suppliers



Source: Frost & Sullivan

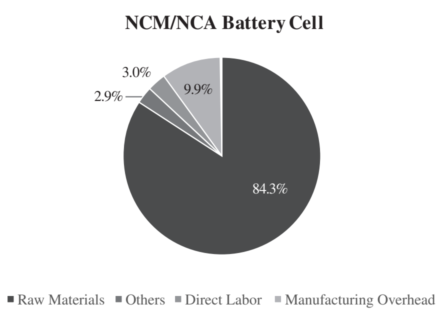
LITHIUM-ION BATTERY PRODUCTION

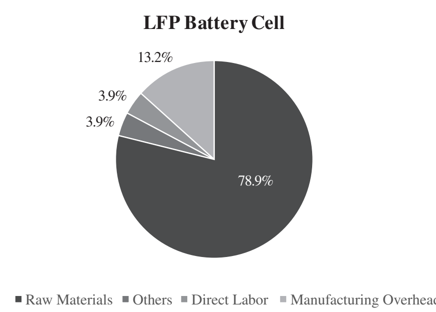
Lithium-ion Battery Cost Breakdown

EV batteries that are installed in EVs are typically integrated from cell, module to pack.

Raw materials are the largest component of the costs of lithium-ion battery cell, taking around 80% of total costs, followed by manufacturing cost and direct labor cost.

Cost Breakdown of Battery Cell, China, 2022



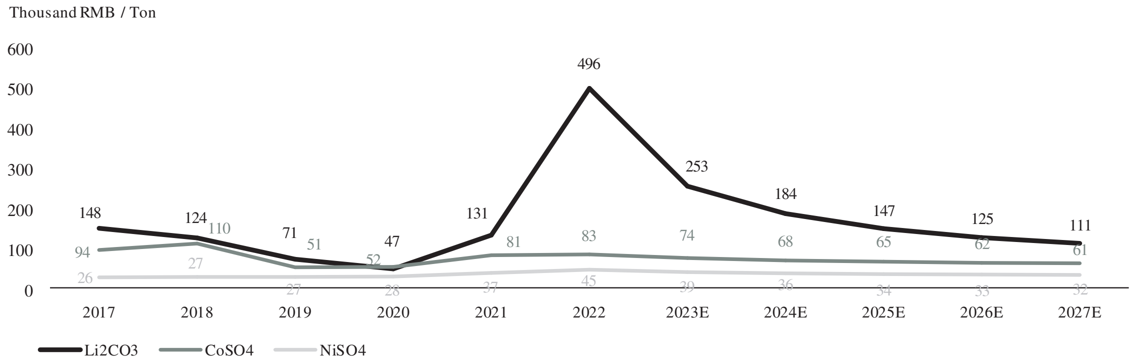


Source: Frost & Sullivan

Lithium-ion Battery Raw Materials Price Analysis

The major raw materials for cathode mainly include lithium carbonate/lithium hydroxide, cobalt sulphate, nickel sulphate and iron phosphate. Prices of these raw materials have increased significantly in 2021 and 2022 due to the strong demand from the growth of EV and ESS markets and constrained raw materials supply. Increasing prices in 2021 and 2022 motivated the raw materials suppliers to expand production capacity and also attracted new players to enter the market. As a result, the raw materials supply is expected to increase since 2023, alleviating the supply shortage situation. Therefore, although it is expected that the demand would remain strong, the supply deficit will narrow as the supply catches up, leading to gradually normalized prices in the forecast period.

Average Price of Major Raw Materials, China, 2017 – 2027E

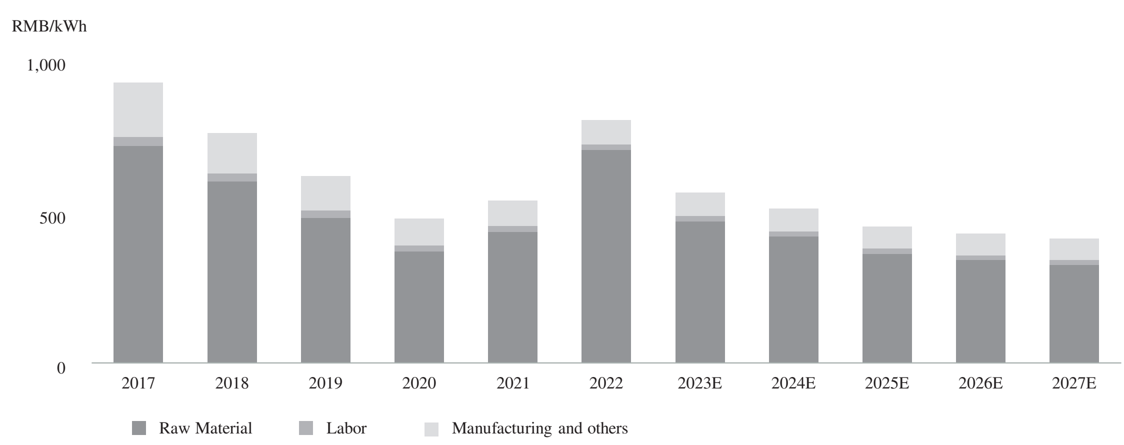


Source: Frost & Sullivan

Lithium-ion Battery Cost Forecast

Driven by continued technology advancement and increasing production scale, the cost of lithium-ion battery had been steadily declining from 2017 to 2020. The recent cost upswing in 2021 and 2022 is largely caused by the rising prices of major raw materials as mentioned above. In the long run, with the supply expansion for upstream raw materials, it is expected that the raw material price will decrease gradually, which will lead to a decline of the cost of lithium-ion battery cell and pack.

Average Cost of EV Battery Cell, China, 2017 – 2027E



	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E
Raw Material	705.6	590.0	470.8	361.9	426.1	692.6	460.4	410.9	354.5	334.2	318.9
Labor	29.7	26.3	24.9	20.1	19.2	18.5	17.8	17.2	16.6	16.1	15.6
Manufacturing and others	177	132.1	112.8	87.3	83.0	79.6	76.7	74.4	72.5	70.9	69.6
Total	912.4	748.4	608.4	469.3	528.4	790.6	554.9	502.5	443.6	421.2	404.1

Source: Frost & Sullivan

LITHIUM-ION BATTERY PRICES

As the cost of lithium-ion batteries declined significantly from 2017 to 2020, the price of lithium-ion batteries also declined from 2017 to 2020. From 2017 to 2020, the price of EV battery cell decreased from 1.23 RMB/Wh to 0.56 RMB/Wh.

However, in 2021 and 2022, due to the rising price of raw materials, the price of lithium-ion batteries also increased. The price of EV battery cell increased from 0.56 RMB/Wh in 2020 to 0.57 RMB/Wh in 2021 and further increased to 0.86 RMB/Wh in 2022. Similarly, the price of ESS battery pack increased from 1.15 RMB/Wh in 2020 to 1.18 RMB/Wh in 2021 and further increased to 1.34 RMB/Wh in 2022.

In the future, it is expected that the price of lithium-ion batteries will continue to move in line with the cost. The decrease of the raw materials costs and the economics of scale of production are expected to drive down the production cost and the market prices of the lithium-ion batteries.

COMPETITIVE LANDSCAPE

Lithium-ion battery industry, especially EV battery market is highly concentrated in China, with top 10 producers accounting for over 90% of total installations in China in 2022. As a relatively new player into the industry that established in 2017 and achieved commercial production in 2019, the Group is growing quickly and has been gaining market shares.

In terms of lithium-ion battery installations for new energy applications, we ranked No. 10 globally and No. 6 among the China-based manufacturers in 2022, according to Frost & Sullivan. In terms of EV battery installations in China, we ranked No. 10 in 2022, according to the same source. In terms of ESS battery installations, we ranked No. 3 globally in 2022, according to the same source.

Ranking of Manufacturers of Lithium-ion Battery for New Energy Application[1], Global, 2022

Rank	Company	Installations (GWh)	Market share (%)[2]
1	CATL（寧德時代）	229.4	36.8%
2	BYD（比亞迪）	82.6	13.2%
3	LG Energy（LG新能源）	73.5	11.8%
4	Panasonic（松下）	39.2	6.3%
5	Samsung SDI（三星SDI）	30.4	4.9%
6	SK On	27.8	4.5%
7	CALB（中創新航）	20.0	3.2%
8	Gotion（國軒高科）	17.7	2.8%
9	EVE（億緯鋰能）	16.3	2.6%
10	**The Company（瑞浦蘭鈞）[3]**	**15.6**	**2.5%**

Ranking of Manufacturers of EV Battery, China, 2022

Rank	Company	Installations (GWh)	Market share (%)[4]
1	CATL（寧德時代）	142.0	48.2%
2	BYD（比亞迪）	69.1	23.5%
3	CALB（中創新航）	19.2	6.5%
4	Gotion（國軒高科）	13.3	4.5%
5	Sunwoda（欣旺達）	7.7	2.6%
6	EVE（億緯鋰能）	7.2	2.4%
7	SVOLT（蜂巢能源）	6.1	2.1%
8	Farasis（孚能科技）	5.4	1.8%
9	LG Energy（LG新能源）	5.2	1.8%
10	**The Company（瑞浦蘭鈞）**	**5.1**	**1.7%**

Source: Frost & Sullivan

Ranking of Manufacturers of ESS Battery, Global, 2022

Rank	Company	Installations (GWh)	Market share (%)
1	CATL（寧德時代）	37.8	31.7%
2	BYD （比亞迪）	12.2	10.2%
3	**The Company（瑞浦蘭鈞）**	**10.5**	**8.8%**
4	EVE（億緯鋰能）	9.1	7.6%
5	Samsung SDI（三星SDI）	6.1	5.1%
6	Gotion（國軒高科）	3.6	3.0%
7	Great Power（鵬輝能源）	3.3	2.8%
8	LG Energy (LG新能源)	3.1	2.6%
9	Hithium（海辰儲能）	3.0	2.5%
10	ZTT（中天科技）	2.8	2.4%

Source: Frost & Sullivan

Notes:

1 New energy applications mainly include electric vehicles and energy storage systems.

2 The market share is calculated by dividing lithium-ion battery installations of global manufacturers for new energy application by the market size of global EV battery installations plus ESS battery installations.

3 The Company ranked 6th among the China-based lithium-ion battery manufacturers for new energy application.

4 The market share is calculated based on installed capacity in China.

KEY SUCCESS FACTORS OF LITHIUM-ION BATTERY MANUFACTURERS

R&D Capabilities: EV and ESS battery products iterate fast with the development of technologies. Battery manufacturers with strong R&D capabilities that can cater to customers' specific needs tend to attract leading OEMs and ESS customers. The battery innovation lies in all aspects including battery materials, battery structure, technical characteristics, production process, etc. In addition, different customers tend to have different specification requirements for batteries with different design, which requires battery manufacturers to have strong product development capabilities to develop new products in a short period of time.

Safety Performance: The safety performance has always been the most crucial factor of EV and ESS battery products. Heat insulation and good heat dissipation system such as air-cooling, liquid-cooling system as well as battery management system which can monitor real-time battery status are important for the safety performance.

Technical Performance: There are various technical parameters that EV OEMs and ESS customers will consider when selecting battery suppliers, including energy density, battery capacity, high-temperature performance, low-temperature performance, cycle times, self-discharge rate, battery degradation, fast charging features, etc.

Product Consistency: Battery product consistency refers to the ability of EV/ESS battery manufacturers to produce batteries with consistent performance and characteristics across multiple units. Consistency is a crucial aspect in ensuring that EV/ESS batteries meet the specified performance criteria and to be reliably integrated into EVs/ESSs.

Production Cost: As selling price is one of the crucial factors that EV OEMs and ESS customers consider when selecting suppliers, battery manufacturers with lower production costs are more competitive.

Production Lead Time and Production Capabilities: As the downstream demand from EV and ESS industries are increasing rapidly, battery manufacturers with enough production capacity and with capabilities to deliver the products in shorter lead time are more competitive.

KEY TRENDS OF LITHIUM-ION BATTERY MARKETS

Securing Access to Upstream Raw Materials

In light of the recent supply shortage and rising prices of key raw materials, battery manufacturers are adopting multiple strategies to achieve greater upstream control, including acquiring and investing in upstream mineral assets, entering into long-term contracts with key suppliers, establishing joint ventures with key suppliers, as well as establishing in-house production capabilities of key battery components. It is expected that major players will continue to deepen their upstream integration in order to be more competitive. However, direct investment into upstream mine assets goes with risks as this requires large amount of capital, technologies and experiences in mining operations, which could be challenging for battery manufacturers that lack relevant experience in mining industry.

Continuous Technology Innovation and Breakthroughs on Battery Performance

In recent years, with the advancement of technologies, battery energy density, operating temperature range, charging efficiency, and safety performance have continued to be improved, and the innovation is expected to progress. On anode and cathode materials, more high-performance cathode materials such as high nickel content, lithium-rich manganese bases, and silicon carbon as anode materials will gradually be widely used. On electrolytes, the R&D of solvents, additives, solid electrolytes will continue to progress. Regarding separators, high-strength, high-safety composite separators will become the direction. In addition, battery operation and analysis platforms will also be developed to provide customers with battery intelligent solutions. It is also expected that the technology evolution will be more progressive rather than disruptive, and most of the innovation will be based on the current technologies.

Continuous Price and Cost Reduction

With the advancement of manufacturing technologies, expansion of production scale, standardization of products and intensified competition among manufacturers, the production cost and selling price of lithium-ion batteries have witnessed a decreasing trend. In the future, as most of the market players will accumulate experience in R&D and simplify manufacturing procedures, the production cost and other indirect expenses will decrease further, which will further foster the scalable commercialization of the lithium-ion battery technology.

Battery Recycling

As lithium-ion batteries reach their end-of-service on EV and ESS, treatment of such waste battery would be an important topic. For example, due to different characteristics of downstream applications, waste EV batteries could be recovered for further use in energy storage, low-speed EVs and other fields that require lower battery electrochemical performance. Lithium-ion batteries can also be recycled to extract metals or battery materials. As the cost of battery raw materials has been increasing in recent years, waste battery recycling process can help extract the valuable metals such as nickel, cobalt and lithium to be re-used as raw materials for lithium-ion batteries production, which could to some extent lower raw material cost and provide additional raw materials supply for the battery manufacturers. It is expected that major battery manufacturers will enter into and expand presence in battery recovery and recycle business to achieve cost reduction and environmental protection. Battery recycling will also be an important source of battery supply in the future, and the recycling industry of EV batteries will gradually develop towards standardization, centralization and industrialization.

BARRIERS OF ENTRY

The lithium-ion battery industry is characterized by intensive input of capital and technology, as well as high dependence on stable supply chain. For newcomers, it requires significant amount of efforts and capital for them to build up and demonstrate competitive R&D and production capabilities. As the industry continues to grow, players also need to improve control of its supply chain to stay competitive.

Technology Barrier

It takes significant amount of time and capital for lithium-ion battery manufacturers to achieve breakthroughs in key technologies and mature applications through independent R&D. The industry is still undergoing rapid technical iteration, with a variety of technological paths. A strong team of R&D professionals is also required to realize such technological capabilities. Such characteristics of the industry would create substantial technological entry barriers.

Scale Barrier

The lithium-ion battery industry has significant scale barrier, as its production has the characteristics of economies of scale. Companies with large production scale and abundant capital have considerable scale advantages in raw materials procurement and production operations. Additionally, research and development of lithium-ion batteries requires constant and large amount of capital, which is only affordable to large-scale players.

Brand Barrier

Due to the long service life of lithium-ion batteries, it takes a relatively long period of time for downstream customers to make an accurate assessment of the battery product's performance and safety, which are important for both EV and ESS applications. For EV batteries, OEMs would require constant supply throughout an EV model's life cycle and would not easily switch battery suppliers once the cooperation and brand recognition are established. As newcomers lack brand recognition and reputation, it would be challenging for them to acquire customers and build brand equity in a short period of time.

Supply Chain Barrier

As raw materials costs account for the majority of the total costs of lithium-ion batteries, securing stable, low-cost, and high-quality raw materials is one of the key competitiveness for the battery manufacturers. For newcomers, they face a high barrier in supply chain management as they are not as established and connected as major incumbents especially in terms of scale and reputation, and therefore tend to have less bargaining power when negotiating with suppliers.

Capital Investment Barrier

The lithium-ion battery industry is a capital-intensive manufacturing industry. The cost of product design and development is relatively high in the early stages, and a large amount of capital is required upfront. Simultaneously, operational capital must be used in the production and operation process to ensure raw materials purchases, capital turnover, and production and sales scale expansion. As a result, new entrants face a high barrier.

AN OVERVIEW OF THE LAWS AND REGULATIONS OF THE PRC

A summary of the significant PRC laws, rules and regulations affecting our business activities is set out in this section.

PRINCIPAL REGULATORY AUTHORITIES

We focus on the R&D, manufacturing and sales of lithium-ion EV battery products and ESS battery products, and are mainly subject to the supervision of the National Development and Reform Commission (the "NDRC") and the Ministry of Industry and Information Technology of the PRC (the "MIIT").

The main functions undertaken by the NDRC include: formulating and implementing strategies on national economic and social development; medium and long-term development plans and annual plans, coordinating economic and social development, instructing the promotion of and comprehensively coordinating the reform of economic system and strategic adjustment of economic structure, advising on comprehensive application of economic measures and policies, including the opinions about the development of industries such as EVs and New Energy Storage.

The main functions undertaken by the MIIT include: formulating and implementing industrial planning, plans and policies; monitoring the ordinary operation of industrial sector; and conducting research and publishing relevant information; formulating and implementing the policies on industrial energy conservation and comprehensive utilization of resources and promotion of clean production.

PRINCIPAL REGULATORY LAWS AND REGULATIONS

Our business activities in China shall comply with a large number of legal rules that covers the sections of R&D, manufacturing and sales of lithium-ion EV battery products and ESS battery products, labor issues, intellectual properties, and tax issues and are subject to government's supervision.

REGULATIONS RELATING TO EV & ESS LITHIUM BATTERY INDUSTRIES

There has been an intensive promulgation of regulations on EV batteries since 2013. The company complies principally with a series of regulations on EV batteries and new energy industry including: "Conditions on the Regulation of Lithium-ion Battery Industry" (《鋰離子電池行業規範條件》) and "Interim Measures for the Management of Recycling and Use of Power Storage Batteries for New Energy Vehicles" (《新能源汽車動力蓄電池回收利用管理暫行辦法》) while regulations on the industry were gradually enhanced.

According to the Guiding Catalog for Industrial Restructuring (《產業結構調整指導目錄》(2011年本) (2013修正)), which was promulgated by the NDRC on February 16, 2013 and was effective on May 1, 2013, all of EV & ESS Lithium-ion batteries, LFP for lithium-ion batteries and other cathode materials and lithium-ion battery automated production equipment manufacturing fell into the encouraged industries in the catalog and remained being encouraged according to the Guiding Catalog for Industrial Restructuring (產業結構調整指導目錄(2019年本)》) enacted on December 30, 2019 with the latest amendment on December 30, 2021 by the NDRC.

According to the "Conditions on the Standardization of Lithium Battery Industry" (《鋰離子電池行業規範條件》), which was promulgated by MIIT on August 31, 2015 with the latest amendment on December 10, 2021, EV batteries are divided to Energy Module and Power Module. For Energy Module batteries adopting ternary materials, the energy density should be no less than 210Wh/kg for single battery and 150Wh/kg for battery pack. For Energy Module batteries adopting other energy types, the energy density should be no less than 160Wh/kg for single battery and 115Wh/kg for battery pack. For Power Module batteries, the power density should be no less than 500W/kg for single battery and 350W/kg for battery pack. The capacity maintenance rate should be no less than 80% with a cycle life of more than 1000 times.

In order to lead the common practice of the lithium battery industry, the MIIT has enacted the "Management Measures of Standardization Announcement of Lithium Battery Industry "(《鋰離子電池行業規範公告管理辦法》) according to the "Conditions on the Standardization of Lithium Battery Industry" (《鋰離子電池行業規範條件》), stimulating that the responsible departments of industry and information technology in each province, autonomous region and municipality directly under the Central Government are responsible for the acceptance, verification and submission of announcement applications for lithium battery industry enterprise in the region, and for supervising and checking the implementation of the standardization conditions. The MIIT is responsible for the management of the national lithium battery industry Standardization announcement, the organization of reviewing, sampling, publishing and announcing of application materials recommended by responsible industrial departments in the province level, and for the dynamic management of list of standardization announcement of Lithium Battery Industry.

The Interim Measures for the Management of Recycling and Use of Power Storage Batteries for New Energy Vehicles (《新能源汽車動力蓄電池回收利用管理暫行辦法》) promulgated by 8 departments such as the MIIT, the Ministry of Science and Technology and Ministry of Transportation on January 26, 2018 fully embodies the principle of whole product lifecycle management, clarifies the corresponding responsibilities of relevant enterprises for EV battery recycling in relation to the design, production, sale, usage, maintenance, scrapping, recycling, utilization and other upstream and downstream aspects of the industry chain, ensuring the effective use and environmentally friendly disposal of EV batteries and building a close-ended management system. Vehicle manufacturers should establish recycling channels for EV batteries and should set up recycling service outlets. The cooperation in building and the sharing of scrapped EV battery recycling channels through various forms between vehicle manufacturers, battery manufacturers, enterprises recycling and comprehensively utilizing scrapped vehicles are encouraged.

According to the "Interim Provisions on Tracing Management of Recycling of EV Batteries for NEVs" promulgated by the MIIR on July 2, 2018 and was effective on August 1, 2018, a platform of national monitoring on new energy vehicles and comprehensive management of recycling and utilization of EV batteries shall be established to collect information of whole lifecycle of EV batteries including production, sale, use, scrapping, recycling and utilization.

According to Requirements of the Industry Standards for the Comprehensive Utilization of Wasted Power Storage Batteries of New Energy Vehicles (《新能源汽車廢舊動力蓄電池綜合利用行業規範條件(2019年本)》) and Interim Measures for the Administration of the Announcement of the Industry Standards for the Comprehensive Utilization of Wasted Power Storage Batteries of New Energy Vehicles (《新能源汽車廢舊動力蓄電池綜合利用行業規範公告管理暫行辦法(2019年本)》) promulgated by the MIIT on December 16, 2019 and became effective on January 1, 2020, enterprises shall follow the principle of echelon recovery first, and then recycling recovery to improve the comprehensive utilization according to the national and industrial standards and technical information such as dismantling, disassembling and historical data of power storage batteries provided by new energy vehicle manufacturers and other manufacturers.

NATIONAL POLICIES THAT MAY SIGNIFICANTLY AFFECT THE EV & ESS INDUSTRY

According to "Made in China 2025" promulgated by the State Council on May 8, 2015, the state will continue to support the development of electric vehicles and fuel cell vehicles to master the core technologies of low carbonization, informatization and intelligence of automobiles, enhance the capabilities of engineering and industrialization of core technologies such as EV batteries, drive motors, efficient internal combustion engines, advanced transmissions, lightweight materials, intelligent controls and to form a complete industrial system and innovation system from key components to complete vehicles, and to promote the quality of domestic energy-efficient vehicles and EV up to international standards.

According to the Action Plan for Promoting the Development of the Automotive EV Battery Industry (《促進汽車動力電池產業發展行動方案》) promulgated by the MIIT, the NDRC, the Ministry of Science and Technology (the "MOST") and the Ministry of Finance on February 20, 2017, the direction of EV battery industry development has been pointed towards the continuous improvement of product quality and safety and further decrease of cost to ensure the supply of high-quality battery in 2018. Promote the R&D and industrialization of new lithium-ion EV battery to achieve large-scale application in 2020. Strengthen the fundamental design on new EV battery systems to achieve technological breakthrough and pilot testing in 2025. In year 2020, China industry leader with global competitiveness and sales of over 40 billion watt-hours shall emerge, when the total production capacity of EV battery industry exceeding 100 billion watt-hours.

According to the Medium and Long-term Development Plan for the Automotive Industry promulgated and effective on 6 April 2017 by the Ministry of Industry and Information Technology, the Development and Reform Commission and the Ministry of Science and Technology (《汽車產業中長期發展規劃》), the State will further accelerate the R&D and industrialisation of new energy vehicle technologies and implement the power battery upgrade project. It will give full play to the role of platforms such as the Power Battery Innovation Center and the Power Battery Industry Innovation Alliance, carry out joint research on key materials for power batteries, single cells, battery management systems and other technologies, and accelerate the realization of revolutionary breakthroughs in power batteries. By 2020, the annual production and sales of new energy vehicles will reach 2 million units, the specific energy of power batteries will reach more than 300 Wh/kg and strive to achieve 350 Wh/kg, and the specific energy of the system will strive to reach 260 Wh/kg and the cost will drop to less than 1 yuan/watt-hour. By 2025, new energy vehicles will account for more than 20% of vehicle production and sales, and the specific energy of the power battery system will reach 350 Wh/kg.

According to the Implementation Plan for Promoting the Renewal and Upgrading of Key Consumer Products and Smooth Resource Recycling (2019-2020) (《推動重點消費品更新升級暢通資源循環利用實施方案(2019-2020年)》), promulgated and effective on 3 June 2019 by the Development and Reform Commission, the Ministry of Ecology and Environment and the Ministry of Commerce, the development and industrialisation of a new generation of automotive power batteries will be further accelerated, the energy density and safety of batteries will be improved, the platform of batteries will be gradually realized and standardized, and the cost of batteries will be reduced. To guide companies to innovate business models, promote new energy vehicle battery leasing and other alternatives that allow vehicle and electricity to be purchased separately, thus reducing the upfront cost of vehicle purchase.

According to the "Guidance on the Orderly Promotion of the Resumption of Work and Production by Enterprises in the Industrial Communications Industry" promulgated and effective on 24 February 2020 by the Ministry of Industry and Information Technology, the State gives priority to supporting industries with long value chains that could drive the growth in adjacent industries, such as automobiles, electronics, ships, aviation, power equipment and machine tools. Continue to support niche industry leaders in smart photovoltaics, lithium-ion batteries, and manufacturing industries, and further bolster the core competitive edge within the industry value chain. Focus on supporting strategic emerging industries such as 5G, industrial internet, integrated circuits, industrial robots, additive manufacturing, smart manufacturing, new type of display, new energy vehicles, energy conservation and environmental protection.

According to the "Guiding Opinions on Accelerating the Development of New Energy Storage" promulgated by the Development and Reform Commission and the National Energy Administration on 15 July 2021 and taking effect, by 2025, the transformation of new energy storage from the early stage of commercialization to large-scale development will be realized. New energy storage technology innovation capability is significantly improved, the level of independent and controllable core technology and equipment is significantly enhanced, significant progress is made in terms of high safety, low cost, high reliability and long life, the standard system is basically perfected, the industrial system becomes increasingly complete, the market environment and business model are largely mature, and the installed scale reaches more than 30 million kilowatts. The new energy storage plays a significant role in promoting the process of carbon compliance and carbon neutrality in the energy sector. By 2030, the development of new energy storage will be fully driven by the market.

According to the "Action Plan for Achieving Carbon Peaks by 2030" promulgated by the State Council on 24 October 2021, the green and low-carbon transformation of energy will accelerate the construction of new power systems, actively develop "new energy + energy storage", integrate source-grid-load-storage and multi-energy complementarity, and support the reasonable deployment of energy storage systems for distributed new energy sources. Accelerate the demonstration and application of new types of energy storage, and by 2025, the installed capacity of new types of energy storage will reach more than 30 million kilowatts; in the action of energy saving and carbon reduction and efficiency, strengthen the energy saving and carbon reduction of new infrastructure, adopt DC power supply, distributed energy storage, "photovoltaic + energy storage" and other modes, and explore diversified energy supply; in the action of green and low-carbon transportation In terms of green and low-carbon transportation, we will promote the low-carbon transformation of transportation equipment, and by 2030, the proportion of new energy and clean energy-powered transportation will reach about 40%.

The Implementation Plan for Accelerating the Promotion of Comprehensive Utilization of Industrial Resources promulgated by eight departments, including the Ministry of Industry and Information Technology, the Development and Reform Commission and the Ministry of Science and Technology, which came into effect on 27 January 2022, proposes to improve the recycling and utilization system of used power batteries and promote the safe gradient application of used power batteries in areas such as power backup and charging and replacement. Build a number of demonstration projects for gradient and recycling in key regions such as Beijing, Tianjin and Hebei, the Yangtze River Delta, and the Guangdong, Hong Kong and Macao Greater Bay Area. Cultivate a number of backbone enterprises for gradient and recycling, and increase the R&D and promotion of technologies such as non-destructive testing of power batteries, automated dismantling and efficient extraction of valuable metals.

Guiding Opinions of the Ministry of Industry and Information Technology and Other Five Departments on Promoting the Development of the Energy Electronics Industry (工業和信息化部等六部門關於推動能源電子產業發展的指導意見), including the Ministry of Industry and Information Technology, the Development and Reform Commission and the Ministry of Science and Technology, which came into effect on 3 January 2023, As an emerging industry that is generated by the integration of and innovation upon electronic information technology and new energy demand and that develops rapidly, energy electronics industry is the generic term of electronic information technologies and products that produce energy, serve energy and apply energy, mainly including solar photovoltaic, new energy storage batteries, application of key terminals, key information technology and products (hereinafter referred to as "**photovoltaic, storage, terminal and information**") and other fields. With the accelerated global response to climate change, the evolution of "electrification of energy consumption, low-carbon power production and informatization of production and consumption" is accelerating. Energy electronics is not only an important content of the implementation of the strategy of manufacturing power and network power, but also the material basis of new energy production, storage and utilization, and the backbone of the goal of achieving carbon peak and carbon neutrality.

LAWS AND REGULATIONS ON PRODUCT QUALITY

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

LAWS AND REGULATIONS RELATING TO PRODUCTION SAFETY

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

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

According to the Measures for the Supervision and Administration of "Three Simultaneities" for the Safety Facilities of Construction Projects (《建設項目安全設施「三同時」監督管理辦法》) promulgated by the former State Administration of Work Safety (currently known as the Ministry of Emergency Management) on December 14, 2010 and amended on April 2, 2015, the safety facilities in a newly built, reconstructed or expanded construction project must be designed, constructed and put into use in production simultaneously with the main body of the project. The enterprises shall demonstrate and pre-assess the safety conditions of its construction projects, make a safety design chapter, submit to the relevant work safety administrative department for examination or filing, and apply to the work safety administrative department for the completion and acceptance or the filing of its projects. If an enterprise violates the relevant requirements, it may be warned and be ordered to make corrections within a specified time limit. Failure to make correction within the specified time limit may result in the enterprise being ordered to discontinue the construction process or suspend its production and business operation for rectification, and being imposed a fine.

LAWS AND REGULATIONS RELATING TO FIRE PREVENTION

According to the Fire Protection Law of the People's Republic of China (《中華人民共和國消防法》) promulgated by the Standing Committee of the National People's Congress on April 29, 1998 and last amended on April 29, 2021, the fire prevention design and construction of a construction project must conform to the national fire prevention technical standards for engineering construction. For construction projects that require fire protection design in accordance with the national fire protection technical standards for engineering construction, the fire protection design review and acceptance system for construction projects shall be implemented. If the construction project is completed and the competent department of housing and urban-rural development under the State Council shall apply for fire control acceptance inspection, the construction entity shall apply to the competent department of housing and urban-rural development for fire control acceptance inspection. For construction projects other than those specified in the preceding paragraph, the construction entity shall report to the competent department of housing and urban-rural development for filing after the acceptance, and the competent department of housing and urban-rural development shall conduct spot checks. Construction projects which are subject to fire control acceptance inspection according to law shall not be put into use without fire control acceptance inspection or failing to pass fire control acceptance inspection. Other construction projects which fail to pass random inspection according to law shall cease to use.

LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

According to the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》) (hereinafter referred to as the "Environmental Protection Law") promulgated by the Standing Committee of the National People's Congress on December 26, 1989 and last amended on April 24, 2014, any entity that discharges or will discharge pollutants in the course of operation or other activities must implement effective environmental protection measures to control and properly handle of hazardous substances such as waste gas, waste water, waste residues, dust, malodorous gases, radioactive substances, noise, vibration and electromagnetic radiation generated in the course of such activities. The State implements a pollutant discharge permit management system in accordance with the law. According to the Environmental Protection Law and the Regulations on the Administration of Pollutant Discharge Licensing, which was promulgated by the State Council on January 24, 2021 and came into effect on March 1, 2021, enterprises, business units and other producers and operators that implement the pollutant discharge licensing management shall discharge pollutants according to the requirements of the pollutant discharge license, and shall not discharge pollutants without obtaining the pollutant discharge license. The competent environmental protection authorities impose various administrative penalties on individuals or enterprises in violation of the Environmental Protection Law.

Pursuant to the Regulations on the Administration of Environmental Protection of Construction Projects (《建設項目環境保護管理條例》) promulgated by the State Council on November 29, 1998 and amended on July 16, 2017 and the Interim Measures for Environmental Protection Acceptance Examination Upon Completion of Construction Projects promulgated by the former Ministry of Environmental Protection on November 20, 2017, the PRC implements a system to appraise the environmental impact of construction projects. The construction entity shall submit an environmental impact report or an environmental impact statement for approval prior to the commencement of the construction project, or an environmental impact registration form as required by the environmental protection administrative department of the State Council for record. In addition, after the completion of a construction project for which an environmental impact report or an environmental impact statement has been prepared, the construction entity shall, in accordance with the standards and procedures prescribed by the competent administrative department of environmental protection under the State Council, conduct acceptance checks on the supporting environmental protection facilities and prepare an acceptance report. For construction projects that are constructed in phases or put into production or use in phases, the corresponding environmental protection facilities shall be inspected and accepted in phases. The construction project can only be put into production or use after the completed supporting environmental protection facilities have passed the acceptance inspection. Facilities that have not been carried out or have not passed the acceptance examination shall not be put into production or use.

On 29 April 2020, the newly amended Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》) (hereinafter referred to as the "Solid Waste Law") incorporated for the first time the extended producer responsibility system for products such as automotive power batteries into the law, making important arrangements for the construction of a system for the recycling and treatment of waste automotive power batteries from the top-level design. In order to further regulate and guide the treatment process of waste lithium-ion power batteries and implement the provisions of the Solid Waste Law, the Ministry of Ecology and Environment promulgated on 7 August 2021 the "Technical Specification for Pollution Control of Waste Lithium-ion Power Battery Treatment (for Trial Implementation)" (the "Technical Specification"), which will take effect on 1 January 2022. The Technical Specification sets out the general requirements for the treatment of waste lithium-ion power batteries, technical requirements for pollution control in the treatment process, requirements for pollutant emission control and environmental monitoring, and requirements for operational environmental management. The Technical Specification is applicable to the pollution control of the waste lithium-ion power battery treatment process, and can be used as a technical reference basis for the environmental impact assessment, construction and operation, completion environmental protection acceptance and emission permit management of construction projects related to waste lithium-ion power battery treatment. For other types of waste lithium-ion batteries such as energy storage and consumer batteries, as well as the pollution control of lithium-ion battery production waste treatment process, please refer to the Technical Specification for implementation.

LAWS AND REGULATIONS RELATING TO IMPORT AND EXPORT OF GOODS

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

According to the Provisions of the PRC on the Administration of Recordation of Customs Declaration Entities (《中華人民共和國海關報關單位備案管理規定》), promulgated by the General Administration of Customs of the PRC on November 19, 2021, which came into effect on January 1, 2022, where the consignee or consignor of imported or exported goods or a customs declaration enterprise applies for recordation, it shall obtain the qualification of market entities; particularly where the consignee or consignor of imported or exported goods applies for recordation, it shall be filed as a foreign trade business. Where the consignee or consignor of imported or exported goods or a customs declaration enterprise has undergone the formalities of recordation for customs declaration entities, branches that meet the requirements of the preceding paragraph may also apply for recordation for customs declaration entities.

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

According to the Labor Law of the PRC (《中華人民共和國勞動法》) promulgated by the SCNPC on July 5, 1994 and last amended and newly effective on December 29, 2018, the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) promulgated by the SCNPC on June 29, 2007, effective on January 1, 2008 and amended on December 28, 2012, newly effective on July 1, 2013 and the Implementing Regulations of the Labor Contracts Law of the PRC (《中華人民共和國勞動合同法實施條例》) promulgated by the State Council on September 18, 2008, effective on the same date, employers must strictly abide by state standards and provide relevant trainings to its employees, protect their labor rights and perform its labor obligations. Labor relationships between employers and employees must be executed in written form. Labor contracts shall be categorized into labor contracts with fixed term, labor contracts without fixed term and labor contracts to be expired upon completion of certain tasks. The remuneration payable by employers to its employees shall not be less than local minimum wage. Employers must establish a system for labor safety and sanitation, and strictly comply with national standards and provide relevant education to its employees. Violations of the Labor Contract Law of the PRC and the Labor Law of the PRC may result in the imposition of fines and other administrative and criminal liability in the case of serious violations.

According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) promulgated by the SCNPC on October 28 and last amended and newly effective on December 29, 2018 and the Provisional Regulations on Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) recently amended by the State Council and effective on March 24, 2019, a domestic enterprise shall pay premium for pension insurance, unemployment insurance, maternity insurance, work injury insurance, basic medical insurance for its employees at an appropriate percentage based on the amounts stipulated by the laws. If the relevant payment is not paid in full and on time to the relevant local administrative agency, the employer may be ordered to make up the gap or pay a fine. Meanwhile, the Regulations on Work Injury Insurance (《工傷保險條例》), the Regulations on Unemployment Insurance (《失業保險條例》), the Trial Measures on Employee Maternity Insurance of Enterprises (《企業職工生育保險試行辦法》) and other laws and regulations contain specific clauses on different types of social insurance. Employers governed by such laws and regulations shall pay corresponding insurance premiums for their employees.

According to the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》) promulgated by the State Council on April 3, 1999 and last amended and newly effective on March 24, 2019, employers shall make deposit registration for housing provident fund at the housing provident fund management center and paid the housing provident fund in full and on time. If employers failed to make payment of housing provident fund within the time limit or has shortfall in payment of housing provident fund will be ordered by the housing provident management center to make the payment or make up the shortfall within the prescribed time limit, otherwise, the housing provident fund management center is entitled to apply for compulsory enforcement with the people's court.

REGULATIONS RELATING TO INTELLECTUAL PROPERTY

Trademark

According to the Trademark Law of the PRC (《中華人民共和國商標法》) promulgated by the SCNPC on August 23, 1982 and last amended on April 23, 2019, the Trademark Office of the administrative department for industry and commerce under the State Council shall be responsible for the registration and administration of trademarks in the PRC. The administrative department for industry and commerce under the State Council shall establish a Trademark Review and Adjudication Board to be responsible for handling trademark disputes. The registration of a trademark shall be valid for ten years from the date of approval. If there is a continued need for the use of trademark, a renewal shall be made in accordance with requirements within 12 months before the expiry of the trademark registration. If the renewal is not made within the stipulated period, the valid period may be extended for a further period of six mouths. Each renewal of registration of trademark shall be valid for ten years from the date of the expiry of the previous trademark registration. If no application has been filed before the extension period expires, the registered trademark shall be deregistered. Industrial and commercial administrative authorities have the authority to lawfully investigate any behavior in infringement of the exclusive right under a registered trademark in accordance with the law. In case of a suspected criminal offense, the case shall be timely referred to a judicial authority and decided according to law.

Patent

According to the Patent Law of the PRC (《中華人民共和國專利法》) promulgated by the SCNPC on March 12, 1984 and last amended on October 17, 2020, Inventions refer to new technical solutions for a product, method or its improvement. Utility models refer to new technical solutions for the shape, structure or the combination of both shape and structure of a product, which is applicable for practical use. Designs refers to new designs of the shape, pattern or the combination of shape and pattern, or the combination of the color, the shape and pattern of the whole or part of product with esthetic feeling and industrial application value. The validity period of patent for inventions is 20 years, while the validity of patent for utility models is 10 years, and the validity period of patent for designs is 15 years, all starting from the date of application.

Copyright

According to the Copyright Law of the PRC (《中華人民共和國著作權法》) promulgated by the SCNPC on September 7, 1990 and last amended on November 11, 2020, Chinese citizens, legal persons or non-legal person organizations shall, whether published or not, enjoy copyright in their works, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software created in writing or oral or other forms. A Copyright holder shall enjoy a number of rights, including the right of publication, the right of authorship and the right of reproduction.

Domain Names

According to the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》) promulgated by the MIIT on August 24, 2017 and effective on November 1, 2017, the establishment of domain name root servers and domain name root server operation institutions, domain name registration management institutions and domain name registration service institutions within the territory of the PRC shall obtain permission from the MIIT or the communications administration department of the province, autonomous region or municipality directly under the Central Government. The application of establishment of domain name root servers and domain name root server operation institutions, domain name registration management institutions shall submit relevant files to the MIIT. The application of establishment of domain name registration service institutions shall submit files to the communications administration department of the province, autonomous region or municipality directly under the Central Government. The validity period of permission of domain name root server operation institutions, domain name registration management institutions and domain name registration service institutions is 5 years.

LAWS AND REGULATIONS ON TAXATION

Enterprise Income Tax

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the "EIT Law") promulgated by the Standing Committee of the NPC on March 16, 2007 and last amended on December 29, 2018 and the Implementation Regulations on the EIT Law (《中華人民共和國企業所得稅法實施條例》) promulgated by the State Council on December 6, 2007 and last amended on April 23, 2019, taxpayers consist of resident enterprises and non-resident enterprises. Resident enterprises are defined as enterprises that are established in China in accordance with PRC laws, or that are established in accordance with the laws of foreign countries but whose actual or de facto control is administered from within the PRC. Non-resident enterprises are defined as enterprises that are set up in accordance with the laws of foreign countries and whose actual administration is conducted outside the PRC, but have established institutions or premises in the PRC, or have no such established institutions or premises but have income generated from inside the PRC. Under the EIT Law and relevant implementing regulations, a uniform corporate income tax rate of 25% is applicable. However, if non-resident enterprises have no formed permanent establishments or premises in the PRC, or if they have formed permanent establishment institutions or premises in the PRC but there is no actual relationship between the relevant income derived in the PRC and the established institutions or premises set up by them, the enterprise income tax is, in that case, set at the rate of 10% for their income sourced from inside the PRC.

Value-added tax

According to the Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例》) promulgated by the State Council on December 13, 1993 and last amended on November 19, 2017 and the Implementation Rules of the Provisional Regulations of the PRC on Value-Added Tax (《中華人民共和國增值稅暫行條例實施細則》) promulgated by the MOF on December 25, 1993 and last amended on October 28, 2011, any entities or individuals engaged in sale of goods, provision of processing services, repairs and replacement services or importation of goods within the territory of the PRC are taxpayers of Value-Added Tax and shall pay the VAT in accordance with the law and regulation. The rate of VAT for sale of goods is 17% unless otherwise specified.

According to the Circular of the Ministry of Finance and State Administration of Taxation on Adjusting Value-Added Tax Rate (《關於調整增值稅稅率的通知》) issued by the Ministry of Finance and the State Taxation Administration on April 4, 2018 and came into force on May 1, 2018, the tax rate for the taxable sales or import of goods by the taxpayers would be changed from 17% and 11% to 16% and 10% respectively. Afterwards, further adjustments were made according to the Announcement on Relevant Policies for Deepening the Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》) jointly issued by the MOF, the SAT and the General Administration of Customs of the PRC on March 20, 2019 and came into force on April 1, 2019, for general VAT taxpayers who engaged in VAT taxable sales or import goods, applicable tax rates that were previously subject to 16% and 10% were adjusted to 13% and 9%.

LAWS AND REGULATIONS ON FOREIGN EXCHANGE CONTROL

According to Regulations on Foreign Exchange Administration of the PRC (《中華人民共和國外匯管理條例》) promulgated by the State Council on January 29, 1996 and last amended on August 5, 2008 and the Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) promulgated by the PBOC on June 20, 1996 and came into force on July 1, 1996, under general circumstances, RMB is freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as direct investment, loan or investment in securities outside China unless prior approval of the State Administration of Foreign Exchange or its local counterparts or branches is obtained.

According to the Notice of the State Administration of Foreign Exchange on Issues concerning the Foreign Exchange Administration of Overseas Listing (《關於境外上市外匯管理有關問題的通知》) promulgated by the SAFE on December 26, 2014, a domestic company shall, within 15 working days after the completion of its overseas listing, go through the registration of overseas listing with the foreign exchange bureau at its place of registration. A domestic issuer may transfer the capital raised through overseas listing to its local bank account or deposit at its overseas account. The use of proceeds shall be consistent with the purposes disclosed in this document or other public documents.

According to the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》) promulgated by the SAFE on February 13, 2015, came into force on June 1, 2015 and partially repealed on December 30, 2019, to improve the efficiency on foreign exchange management, the SAFE has canceled the administrative approvals of foreign exchange registration of direct domestic investment and direct overseas investment. In addition, the Notice simplifies the procedure of registration of foreign exchange, investors shall register with banks to have the registration of foreign exchange for the direct domestic investment and direct overseas investment.

According to the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) promulgated and came into effective on June 9, 2016 by the SAFE, enterprises registered in China may also convert their foreign debts from foreign currency into RMB on self-discretionary basis. The Notice provides an integrated standard for conversion of foreign exchange under capital account items (including but not limited to foreign currency capital and foreign debts, funds recovered from overseas listing, etc.) on self-discretionary basis, which applies to all enterprises registered in China.

REGULATIONS RELATING TO OVERSEAS OFFERING AND LISTING

On February 17, 2023, with the approval of the State Council, the CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "Trial Measures") and relevant five guidelines, which came into force on March 31, 2023. According to the Trial Measures, (i) PRC domestic companies that seek to offer or list securities overseas, both directly and indirectly, should fulfill the filing procedure and submit relevant information to the CSRC; if a domestic company fails to complete the filing procedure or conceals any material fact or falsifies any major content in its filing documents, such domestic company may be subject to administrative penalties, such as order to rectify, warnings, fines, and its controlling shareholders, actual controllers, the person directly in charge and other directly liable persons may also be subject to administrative penalties, such as warnings and fines; (ii) domestic companies that seek to offer or list securities overseas directly means that PRC companies limited by shares offer or list securities in overseas securities markets; and (iii) any PRC company limited by shares are required to file with the CSRC within three business days after its application for overseas listing is submitted. Failure to complete the filing under the Trial Measures may subject a PRC domestic company to rectification ordered by the CSRC, warning, and fine of RMB1 million to RMB10 million.

Besides, PRC domestic companies seeking to Overseas Offering and Listing shall strictly comply with the laws, administrative regulations and relevant provisions of the PRC government on foreign investment, State-owned assets, industry regulation, overseas investment, etc., shall not disrupt domestic market order, and shall not harm national interests, public interest and the legitimate rights and interests of domestic investors. PRC domestic companies that conducts Overseas Offering and Listing shall (i) formulate its articles of association, improve its internal control system and standardize its corporate governance, financial affairs and accounting activities in accordance with the PRC Company Law, the PRC Accounting Law and other PRC laws, administrative regulations and applicable provisions; (ii) abide by the legal system of the PRC on confidentiality and take necessary measures to implement the confidentiality responsibility, shall not divulge any state secret or the work secrets of state authorities, and shall also comply with laws, administrative regulations and the relevant provisions of the PRC where involved in the overseas provision of personal information and important data. In addition, the Trial Measures also provides the circumstances where the Overseas Offering and Listing is explicitly prohibited, including: (i) such securities offering and listing is explicitly prohibited by specific PRC laws and regulations; (ii) that constitute threat to or endanger national security; (iii) the PRC domestic company, or its controlling shareholder(s) and the actual controller, have committed relevant crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) the PRC domestic company is currently under investigations for suspicion of criminal offenses or major violations of laws and regulations, and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the controlling shareholder(s) or by other shareholder(s) that controlled by the controlling shareholder(s) and/or the actual controller.

On February 24, 2023, the CSRC and other relevant government authorities promulgated the Provisions on Strengthening the Confidentiality and Archives Administration of Overseas Securities Issuance and Listing by Domestic Companies ("關於境內企業境外發行證券和上市相關保密和檔案管理工作的規定") (the "**Provision on Confidentiality**"), which came into force on March 31, 2023. According to the Provision on Confidentiality, where any PRC domestic company provides or publicly discloses to the relevant securities companies, securities service institutions, overseas regulatory authorities and other entities and individuals, or provides or publicly discloses through its overseas listing subjects, documents and materials involving state secrets and working secrets of state organs, it shall report the same to the competent department with the examination and approval authority for approval in accordance with the law, and submit the same to the secrecy administration department of the same level for filing. Domestic companies providing accounting archives or copies thereof to entities and individuals concerned such as securities companies, securities service institutions and overseas regulatory authorities shall perform the corresponding procedures pursuing to the relevant provisions of the State. The working papers formed within the territory of the PRC by he securities companies and securities service institutions that provide corresponding services for the overseas issuance and listing of domestic companies shall be kept within the territory of the PRC, and those that need to leave the PRC shall go through the examination and approval formalities in accordance with the relevant provisions of the State.

Full Circulation of H Shares

"Full Circulation" represents listing and circulating on the Stock Exchange of the domestic unlisted shares of an H-share listed company, including unlisted domestic shares held by domestic shareholders prior to overseas listing, unlisted domestic shares additionally issued after overseas listing, and unlisted shares held by foreign shareholders. On November 14, 2019, CSRC announced the Guidelines for the "Full Circulation" Program for Domestic Unlisted Shares of H-share Listed Companies (《H股公司境內未上市股份申請"全流通"業務指引》), which allows certain qualified H-share listed companies and H-share companies to be listed for the application of full circulation to CSRC.

According to the Guidelines for the "Full Circulation" Program for Domestic Unlisted Shares of H-share Listed Companies, shareholders of domestic unlisted shares may determine by themselves through consultation the amount and proportion of shares, for which an application will be filed for circulation, provided that the requirements laid down in the relevant laws and regulations and set out in the policies for state-owned asset administration, foreign investment and industry regulation are met, and the corresponding H-share listed company may be entrusted to file the said application for "Full Circulation". To file an application for "Full Circulation", an H-share listed company shall file the application with the CSRC according to the administrative licensing procedures necessary for the "examination and approval of public issuance and listing (including additional issuance) of shares overseas by a joint stock company". After the application for "Full Circulation" being approved by the CSRC, the H-share listed company shall submit a report on the relevant situation to the CSRC within 15 days after the registration with the China Securities Depository and Clearing Corporation Limited of the shares related to the application has been completed.

On December 31, 2019, China Securities Depository and Clearing Corporation Limited and Shenzhen Stock Exchange jointly announced the Measures for Implementation of H-share"Full Circulation" Business. The businesses of cross-border share transfer registration, maintenance of deposit and holding details, transaction entrustment and instruction transmission, settlement, management of settlement participants, services of nominal holders, etc. in relation to the H-share "Full Circulation" business, are subject to these Measures for Implementation.

In order to fully promote the reform of H-shares "Full Circulation" and clarify the business arrangement and procedures for the relevant shares' registration, custody, settlement and delivery, China Securities Depository and Clearing Corporation Limited has issued the Circular on Issuing the Guidelines to the Program for "Full Circulation" of H-shares in February 2020, which specified the business preparation, account arrangement, cross-border share transfer registration and overseas centralized custody, etc. In February 2020, China Securities Depository and Clearing (Hong Kong) Co., Ltd. promulgated the Guidelines to the Program for Full Circulation of H-shares of China Securities Depository and Clearing (Hong Kong) Co., Ltd. (《中國證券登記結算(香港)有限公司H股"全流通"業務指南》) to specify the relevant escrow, custody, agent service of China Securities Depository and Clearing (Hong Kong) Co., Ltd., arrangement for settlement and delivery and other relevant matters.

OVERVIEW

Who We Are

We are a lithium-ion battery manufacturer in China. We focus on the R&D, production and sales of EV and ESS lithium-ion battery products including battery cells, modules and packs (including battery boxes, battery racks and energy storage containers for ESS packs). According to the F&S Report, in China, in 2022, we were:

- the tenth largest lithium-ion battery manufacturer globally in terms of annual installation for new energy applications, which include EV battery and ESS battery;
- the sixth largest lithium-ion battery manufacturer in China in terms of global annual installations for new energy applications, which include EV battery and ESS battery;
- the tenth largest lithium-ion battery manufacturer globally in terms of China EV battery installations;
- the third largest lithium-ion battery manufacturer globally in terms of global ESS battery installations

According to the F&S Report, there has been an undersupply of EV and ESS battery products in recent years and the markets of EV and ESS battery products still have great potential of increase in the future. According to the same source, the global annual installations for EV batteries is expected to increase at a CAGR of 38.8% from 504.5GWh in 2022 to 2,597.1GWh in 2027, and the global annual installations for lithium-ion ESS batteries is expected to increase at a CAGR of 53.7% from 119.3GWh in 2022 to 1,023.1GWh in 2027. Against this backdrop, downstream customers are more inclined to place orders with lithium-ion battery manufacturers who have adequate production capacity to produce high-performing products with competitive prices. Our strong R&D capabilities and high-quality products, combined with the ability to quickly roll out large-scale production capacity and the pursuit of dual-focus strategy on EV and ESS batteries, enabled us to penetrate the lithium-ion battery market, expand business scale, build up our customer base and achieve robust revenue growth within a short timeframe. More specifically:

- ***Our R&D capabilities and high-quality products***: Our strong R&D capabilities enabled us to design and develop high-quality lithium-ion battery products with innovative features catered to the specific needs of customers in a timely manner, which in turn enhanced our customer loyalty and built up our customer base. For example, as of the Latest Practicable Date, we achieved mass energy density of 180-200Wh/kg for our mass-produced LFP battery cells and 200-230Wh/kg for our prototype composite battery cells, both of which are at the top level in the industry, according to the F&S Report. See "– Research and Development." For ESS batteries, the ESS battery packs we sold in 2019 were highly customized with innovative features such as frequency adjustment which facilitated stable energy supply and surplus energy storage to suit the special condition of the standalone power grid in the large-scale industrial park in Indonesia operated by a subsidiary of the Tsingshan Group.

- ***Our mass production capabilities***: We have strong execution capabilities in designing, constructing and operating large-scale production facilities. In particular, our capability in comprehensive evaluation of our investment and operating costs in plant construction and production line planning enabled us to achieve quick construction and commissioning of new factories within a short period since our inception. Such capabilities can be evidenced by the 10-month period between commencement of construction and trial production at Wenzhou Facility I and the 3-month period to reach a utilization rate of above 90% for the production lines commissioned in July 2022. Such capabilities, combined with our commitment to product quality and improving production efficiency, enabled us to provide adequate and stable supply of high-quality products to downstream customers. Our growth in sales volume of our battery products were generally in line with the growth in our designed annual production capacity during the Track Record Period.

- ***Our dual-focus strategy and customer acquisition***: We pursue a dual-focus strategy on EV and ESS batteries. The sales of the customized ESS battery packs to Indonesia in 2019 jump-started our business. In 2020, as some of our EV battery products passed the verification processes required by our EV manufacturer customers, we allocated our increased production capacity to seize the opportunities and satisfy the booming demand from such EV manufacturers. In 2021 and 2022, we strategically increased our sales to ESS manufacturer customers to pursue the growth potential, and thus the revenue contribution from sales of ESS battery products increased gradually. As all of our existing and planned production lines are designed to be compatible with the production of different battery products, our dual-focus strategy also provides us with flexibility in arranging our production activities for we may allocate and adjust the production capacity between EV and ESS battery products from time to time based on the actual market demands for our products. We have also been able to expand the depth and breadth of our products to existing customers. For example, we have been able to collaborate more closely with SAIC Motor (上汽集團). The number of SAIC Motor vehicle models that uses our products has been increased from one in the first half of 2020 to over 10 as of December 31, 2022. The above-mentioned efforts, together with our strategy to price our products competitively, allowed us to quickly build up our customer base.

As a result of the above-mentioned advantages and the supply-and-demand dynamics, our sales volume of battery products increased significantly from 1.55GWh in 2020 to 16.61GWh in 2022, representing a CAGR of 227.4%. As of December 31, 2022, our designed annual production capacity reached 35.2GWh. From 2020 to 2022, our EV and ESS battery installations grew at a CAGR of 122.4% and 481.4% respectively. According to the F&S Report, such growth outpaced the overall growth of EV and ESS battery installations in China.

Our exponential growth from 2020 to 2022 made us a battery manufacturer among the top 10 lithium-ion battery manufacturers in China during the period in terms of lithium-ion battery installations, according to the F&S Report.

Going forward, as we have demonstrated our capabilities to quickly roll out high-performing products and new production capability, build up stable relationships with customers, with our commitment to R&D and the offering of high-quality products, we are well-positioned in competing against our peers and capture growth opportunities in the industry.

We enjoy a unique advantage of resource integration and full industry chain synergies as endowed by Tsingshan Group, our Controlling Shareholder, who built the world's largest stainless steel and nickel businesses from the ground up in less than 20 and 10 years, respectively. Tsingshan Group has strategically expanded along the lithium-ion battery industry value chain through direct control or equity investment, including the mining and refining of nickel, lithium and cobalt, the production of cathode materials, anode materials, separators and electrolytes. Being part of the Tsingshan Group ecosystems facilitates the process of building trusts and business relationships with various raw material suppliers and secure supplies of important raw materials. In addition, we will be able to capitalize on its various strategic endeavors in the upstream of the industry value chain and may have opportunities to make strategic investment in upstream raw material projects together with Tsingshan Group.

Our Market Opportunity

The rapid development of EV and ESS industries presents a significant opportunity. Driven by China's "Dual Carbon" policy and carbon neutrality initiatives worldwide, the penetration rate of EVs continues to increase, which has led to the surging demand for lithium-ion batteries that power the EVs. Against the same backdrop, the proliferation of renewable energy such as wind and solar power also presents challenges to the scale and stability of power grid connection. As such, ESS have emerged to resolve the challenge faced by power generators, power grids and power users. According to the F&S Report, the global annual installations for EV batteries is expected to increase at a CAGR of 38.8% from 504.5GWh in 2022 to 2,597.1GWh in 2027, and the global annual installations for lithium-ion ESS batteries is expected to increase at a CAGR of 53.7% from 119.3GWh in 2022 to 1,023.1GWh in 2027.

Our Products and Customers

Our EV battery products include LFP battery products and ternary lithium battery products and our ESS battery products are LFP battery products.

Our EV battery products can be used in EVs including passenger vehicles, commercial vehicles (such as buses and trucks) and special vehicles (such as forklifts and construction machineries). We have a diverse and balanced EV battery customer base, covering established automotive companies, such as SAIC-GM-Wuling (上汽通用五菱), SAIC-Passenger

Automobile (上汽乘用車), DFPV (Aeolus) (東風乘用車(風神)), DNPV (Venucia) (東風日產(啟辰)) and FAW (一汽奔騰), as well as emerging EV manufacturers, such as Leapmotor (零跑汽車), Hozon Auto (合眾汽車), Hycan (合創汽車), and an emerging auto parts manufacturer Vremt (威睿電動). Our EV battery customer base also covers an established vehicle company headquartered in Netherlands, a luxury vehicle company headquartered in Germany and a leading EV company listed on NASDAQ and headquartered in the United States. For commercial vehicles and special vehicles, we have established partnerships with Yutong Bus (宇通客車), Xiamen King Long (廈門金龍), CRRC (中國中車), SAIC MAXUS (上汽大通), Farizon Auto (吉利商用車), Sany Group (三一集團), XCMG (徐工汽車) and EP Equipment (中力機械) to further expand our customer base and our product range. Our products are also used in overseas market including Middle East, Africa, Southeast Asia and India through direct export and export by OEMs.

Our ESS battery products can be used in different energy storage scenarios, including household energy storage, large-scale industrial energy storage scenarios such as power stations, power grids as well as commercial energy storage scenarios. Our ESS batteries meet the various quality standards across different usage scenarios and countries, and the performance of our products have been widely recognized. Our products are accredited with more than 300 domestic and international certificates. We primarily sell our ESS battery products to household ESS integrators, photovoltaic invertor manufacturers, system integrators and EPC firms. Our household ESS battery customers primarily include SolaX Power (浙江艾羅), Sungrow Energy Storage (陽光儲能), Growatt (古瑞瓦特), and GoodWe (固德威). For commercial and industrial ESS customers, we cooperate with customers including Sungrow Energy Storage (陽光儲能), CLOU Intelligent Energy (科陸智慧能源), Ronghe BESS (融和元儲) and two large-scale energy storage solutions providers in the United States.

Our R&D Capabilities

Strong R&D capabilities are the key to our success. We have R&D centers in Shanghai and Wenzhou, and an R&D center in Jiashan which is under construction, with 2,063 R&D personnel involved in R&D functions as of December 31, 2022. The core members of our R&D team are highly experienced and have extensive connections in the lithium-ion battery industry. Having witnessed the development history of lithium-ion batteries, they possess rich experience and unique insights in the material development, battery cell design technology and manufacturing process of lithium-ion batteries. As such, we are able to analyze and stay abreast with the development trend of lithium-ion battery technologies to determine our R&D focus accordingly. As of the Latest Practicable Date, we had 2,383 patent applications, including applications for 649 invention patents and 54 design patents, demonstrating our strong R&D capabilities. Among such patents, 1,300 were granted as of the Latest Practicable Date, including 65 invention patents and 29 design patents; 681 were granted in 2022, including 18 invention patents and 11 design patents.

We have a series of technologies with advantages in terms of battery materials, battery design and battery structure, production technique and equipment, which helped us build up a product portfolio that is able to achieve safety, reliability, excellent driving range and outstanding performance, while improving production efficiency. We have the following R&D highlights:

- *WenDing ("問頂") technology*. In August 2022, we launched prismatic batteries that utilized our WenDing ("問頂") technology. Such technology can be applied to LFP battery products as well as ternary lithium battery products to achieve strong performance.

- *Easy-for-Tera cells ("ET電芯")*. Our Easy-for-Tera cells ("ET電芯") are flat batteries adopting high-speed winding, cutting or stacking integration technology, which improves the efficiency of the production process and battery performance.

- *Versatile power station*. Our versatile power station can be used in various use cases such as electrical energy storage, vehicle charging and utility power backup.

- *Semi-solid prismatic batteries*. We have delivered prototypes of semi-solid prismatic batteries to a luxury vehicle company in Europe, with whom we are conducting battery performance tests.

- *Sodium-ion battery.* We are in the process of developing sodium-ion batteries. Such batteries are likely to reduce the cost of ESS batteries and lower the dependence on lithium.

Our Financial Performance

During the Track Record Period, we achieved rapid growth in revenue as we expanded our production capacity to meet the strong market demand. Our revenue in 2020, 2021 and 2022 were RMB907.0 million, RMB2,109.1 million and RMB14,647.8 million, respectively, representing a CAGR of 301.9%.

COMPETITIVE STRENGTHS

Fast growing battery manufacturer in a booming industry

We are a lithium-ion battery manufacturer in China. We have strong execution capability in designing, constructing and operating large-scale production facilities. In particular, our capability in comprehensive evaluation of our investment and operating costs in plant construction and production line planning enabled us to achieve quick construction and commissioning of new factories within a short period since our inception. Such capabilities, combined with our commitment to product quality and improving production efficiency, enabled us to cater the increasing demand from downstream customers. We pursue a dual-focus strategy on EV and ESS batteries. In 2020, as some of our EV battery products passed the verification processes required by our EV manufacturer customers, we allocated our increased production capacity to seize the opportunities and satisfy the booming demand from such EV manufacturers. In 2021 and 2022, we strategically increased our sales to ESS manufacturer customers to pursue the growth potential, and thus the revenue contribution from sales of ESS battery products increased gradually. Our strong R&D capabilities also enabled us to design and develop lithium-ion battery products with high-quality with innovative features catered to the specific needs of customers. Being part of the Tsingshan Group ecosystems also facilitates the process of building trusts and business relationships with various raw material suppliers and secure supplies of important raw materials. These, combined with the favorable supply-and-demand dynamics during the Track Record Period, enabled us to grow exponentially and quickly gained a prominent position in the lithium-ion battery industry within a short period since our inception. Our designed annual production capacity increased by more than ten folds from 2.3GWh in January 2020 to 35.2GWh in December 2022. Our sales volume of battery products increased significantly from 1.55GWh in 2020 to 3.30GWh in 2021, and further to 16.61GWh in 2022. According to the F&S Report, for the year ended December 31, 2022, we were the tenth largest lithium-ion battery manufacturer globally in terms of annual installations for new energy applications, the sixth largest in China in terms of global annual installations for new energy applications, the tenth largest globally in terms of China EV battery installations, and the third largest globally in terms of global ESS battery installations.

Amid the global energy transition, the downstream EV industry and ESS industry are booming, which present significant growth opportunities for us. Driven by downstream demands, we expect to maintain our high growth in the foreseeable future. According to the F&S Report:

- EV sales volume in China is expected to reach 18.1 million units, growing at a CAGR of 21.3% from 2022 to 2027, with penetration rates being 65.3% and 19.1% for passenger EV and commercial EV in 2027, respectively;

- global penetration rate of passenger EV and commercial EV is expected to reach 44.6% and 3.1% respectively, and the global sales volume of EV is expected to increase at a CAGR of 26.1% from 11.0 million units in 2022 to 35.2 million units in 2027;

- EV battery annual installations in China is expected to increase at a CAGR of 41.1% from 294.6GWh in 2022 to 1,648.6GWh in 2027; and

- global EV battery annual installation is expected to increase at a CAGR of 38.8% from 504.5GWh in 2022 to 2,597.1GWh in 2027.

Renewable energy such as wind and solar power has proliferated as part of the global energy transits and carbon neutrality efforts, which presents challenges to the scale and efficiency of power grid. ESS have emerged to resolve the challenges faced by power generators, power grids and power users, and the development of ESS industry has been supported by favorable policies in many countries.

- According to the F&S Report, the global annual ESS battery installations is expected to increase at a CAGR of 53.7% from 119.3GWh in 2022 to 1,023.1GWh in 2027.

- China's ESS market, especially grid energy storage and commercial and industrial energy storage, is also expected to achieve massive growth in the coming years benefiting from various favorable policies.

We believe that we are well-positioned to seize the tremendous growth opportunities in these downstream markets. In addition to our 35.2GWh designed annual production capacity as of December 31, 2022, we have several production facilities under planning or construction, and we expect that our total annual production capacity will reach 77GWh by the end of 2023. Our existing and planned production facilities are located in Wenzhou and Jiashan in Zhejiang, Foshan in Guangdong, and Liuzhou in Guangxi, bringing us closer to our customers.

Strong R&D capabilities

Our strong R&D capabilities enable us to continuously improve and optimize product performance while reducing costs. We are able to provide cost-efficient products at massive scale, while achieving strong performance with our products under development or at prototype stage. In addition, we continue to commercialize our next-generation products through comprehensive innovation in materials, battery design and battery structure, production technique and equipment. Our products feature high volumetric energy density, high mass energy density, fast-charging technology compatibility, long battery cycle life, high safety and reliability, comprehensive battery management system technology and outstanding system utilization. Such features are realized through our key technologies including SCL technology, green adhesive-free and detachable CTP technology and minimalism cover, among others, and are supported by our innovative equipment such as the ultrahigh-pressure high speed liquid injection machine. We are also able to customize our products to suit the specific needs of our customers in return for higher prices.

- Our SCL technology improves the safety performance of batteries, increases the volumetric energy density and improve the utilization of battery space.

- Our green adhesive-free and detachable CTP technology enables the dismantling of large battery packs, which reduces the maintenance requirements for batteries and allow for convenient recycling.

- Our minimalism battery top cover technology can increase the effective usable capacity and space of battery cells and reduce battery weight and production cost.

- Our ultra-high pressure high speed liquid injection machine ensures higher efficiency of electrolyte injection inside the battery cell and is effective in improving the stability of the battery's long cycle performance.

As of the Latest Practicable Date, we had 2,383 patent applications, including applications for 649 invention patents and 54 design patents, demonstrating our strong R&D capabilities. Among such patents, 1,300 were granted as of the Latest Practicable Date, including 65 invention patents and 29 design patents; 681 were granted in 2022, including 18 invention patents and 11 design patents.

We are also devoted to developing innovative technology in the industry through the application of advanced material and structure technologies. We have developed various battery prototypes that we expect to put into commercial production, including:

- prismatic LFP and ternary batteries that utilized our WenDing ("問頂") technology. The volumetric energy density, mass energy density and driving range of such batteries exceeded industry average, according to the F&S Report.

- Easy-for-Tera cell ("ET電芯") are flat batteries adopting high-speed winding, cutting or stacking integration technology in our flat batteries, which improves the efficiency of the production process and battery performance.

- Twin Star ("雙子星") battery combines the advantages of LFP and ternary batteries, and can be applied in various use cases. It improves user experience through fast-charging and high safety performance.

- Our versatile power station can be used in various use cases such as electrical energy storage, vehicle charging and utility power backup. It is equipped with automatic fire prevention system, including high-sensitivity detectors of temperature, smoke and gas, to improve the safety of the energy storage system.

High-quality and diverse customer base

We have rapidly built up a high-quality and diverse customer base with our capability to deliver high-quality and cost-effective battery products with distinctive product features and performance focuses to satisfy the needs of different customers.

For EV batteries, we have long-term cooperative relationships with automotive manufacturers, including well-known domestic and international brands, as well as emerging EV manufacturers. Our customers include 10 of the top 20 EV manufacturers in China and four of top five emerging EV manufacturers in China, both in terms of sales volume for the year ended December 31, 2022 according to the F&S Report. Our EV battery customer base also covers an established vehicle company headquartered in Netherlands, a luxury vehicle company headquartered in Germany and a leading EV company listed on NASDAQ and headquartered in the United States. With our high-quality products, we continue to obtain new customers. In 2020, 2021 and 2022, our established EV manufacturer customers increased by five, seven and 15, respectively. We are also expanding the depth and breadth of our products to existing customers. For example, we are a major battery supplier to SAIC-GM-Wuling (上汽通用五菱), and our battery products are used in their Wuling Hongguang Mini EV, the top-selling new energy vehicle model in China in 2021 according to the F&S Report. The amount of products we offered to SAIC-GM-Wuling (上汽通用五菱) increased each year during the Track Record Period. We have been able to collaborate more closely with SAIC Motor (上汽集團). The number of SAIC Motor vehicle models that uses our products has been increased from one in the first half of 2020 to over 10 as of December 31, 2022. We were able to expand the application of our products to cover BEV and PHEV, as well as passenger vehicles and commercial vehicles as a part of our expanded collaboration with SAIC Motor. In April 2022, we established two joint ventures at Guangxi, Liuzhou with a wholly-owned sub-subsidiary of SAIC Motor (上汽集團) to build two production facilities for EV battery cell and battery pack with designed annual production capacity of 20GWh each. We are also a major battery supplier to Leapmotor (零跑汽車), which is among the top five emerging EV manufacturers in China for the year ended December 31, 2022, according to the F&S Report. We are able to supply battery products to all LFP vehicle models for this customer. In addition, we are an EV battery cell supplier to Vremt (威睿電動), which assembles our battery cells into battery packs that can be installed in multiple top-selling EVs. We are able to supply battery products to four brands and five vehicle models for this customer.

ESS battery has also been one of our focuses since our inception, and we have obtained a number of high-quality key customers household ESS integrators, photovoltaic inverter manufacturers, system integrators and EPC firms. In 2021 and 2022, we ranked fourth and third in terms of ESS battery installations, according to the F&S Report. Our customers include seven of the top 10 ESS power conversion system manufacturers in China and six of the top 10 ESS integrators in China in terms of annual shipments in 2022. Our ESS battery was mainly adopted in the following scenarios:

- *Household ESS sector*. We have received extensive recognition in the performance and safety of our battery products for household ESS, and have established stable and long-term cooperation with leading inverter manufacturers, which helped us achieve strong customer recognition and loyalty. Our customers, such as Sungrow Energy Storage (陽光儲能) and Growatt (古瑞瓦特), integrate our battery cells and their inverters into household ESS systems through smart hardware and software, which are sold to end-users in Europe, Australia and the United States, which reflects our contributions to the application of green energy for household worldwide.

- *Domestic and overseas commercial and industrial ESS sector.* We actively expand our domestic and overseas presence by undertaking energy storage projects with industrial and commercial customers. In China, we have carried out a number of large-scale energy storage projects such as the "State Grid Shandong Xintai 5MW/10MWh Photovoltaic Power Station" and "Gansu Guazhou 130 MWh Project." For overseas projects, we have developed integrated ESSs for power stations for large industrial parks and cities in Indonesia, which has significantly enhanced the operation stability of micro-grids through our technology.

Long-term, stable and cost-effective supply chain

Stable and cost-effective supply chain is crucial to our success. According to the F&S Report, for both LFP and ternary batteries, raw materials costs account for approximately 80% of total production costs. Leveraging our Controlling Shareholder Tsingshan Group's reputation, strong presence throughout the entire new energy industry value chain and extensive cooperation network, we are able to secure stable and reliable raw material supplies, a critical factor to the competitiveness of battery manufacturers. In addition, we have established joint ventures with business partners to secure supplies of battery components.

We have entered into a framework agreement with Yongqing Technology, a subsidiary of Tsingshan Group, to ensure a long-term, stable and predictable supply of raw materials (including lithium compounds, ternary precursors, separators and graphite). Under our framework agreement, Tsingshan Group will supply lithium compounds, ternary precursors, separators and graphite on favorable terms within the three-year agreement period to support our future expansion and enhance our competitiveness in the supply chain against our peers. See "Connected Transactions – Non-exempt Continuing Connected Transactions – Materials Purchasing Framework Agreement." We have also entered into long-term agreements with a number of raw material suppliers to secure cathode materials (including LFP and NCM), anode materials and separators, among others, to ensure stable supply and manage price fluctuation.

Tsingshan Group's industrial chain footprint and development strategies in the new energy industry will also strengthen our competitive edge in supply chain management. Tsingshan Group is striving to develop a comprehensive industrial chain in the new energy materials sector through direct control or equity investment, covering upstream resources such as the mining and refining of nickel, lithium and cobalt, midstream resources such as cathode materials, cathode precursors, anode materials, separators and electrolytes. The broad coverage of Tsingshan Group's business will offer us extensive cooperation opportunities in the future.

Strong mass production capability

The extensive experience and advantages accumulated by Tsingshan Group in mass production of nickel and stainless steel facilitate us in comprehensive evaluation of our investment and operating costs in plant construction and production line planning, as well as various innovations on individual equipment efficiency and equipment integration to reduce our overall costs for equipment. We have developed and acquired production technology and equipment that will enable us to rapidly achieve stable mass production while incurring minimum production cost, thereby seizing the opportunity in the coming "TWh era." Specifically, we believe the following are critical to our success in terms of achieving production efficiency and cost reduction:

- *Outstanding manufacturing capabilities*. We operate a standardized manufacturing platform for EV and ESS battery products and exercise standardized control on various aspects in the mass production process, such as plant environment, raw materials, equipment, production process and subcomponents of products. These enable us to quickly set up new production lines, while maintaining high product consistency.

- *Intelligent manufacturing and digitalized production process control*. We automate our production process and digitalize our production management through the use of ERP, MES, WMS, WCS and other intelligent control systems and automatic collection of data relating to materials, equipment, personnel, logistics and production environment throughout the entire production process. In particular, we apply intelligent production control such as automatic process route selection, product compliance verification and automatic removal of defective products at all of our factories. In addition, in combination with big data analysis, visual intelligence and other technologies, we have realized intelligent diagnosis and real-time warning on production line operation status. All process data are uploaded to the MES, and can be combined with delivery and after-sale information, enabling us to achieve full information traceability.

Through the optimization of production equipment, production process and production line planning, we are able to reduce our production costs while ensuring high precision. Specifically, through the improvement of our production efficiency, we have been able to lower the per Wh labor costs from RMB0.05 in 2020 to RMB0.03 in 2022, and per Wh manufacturing costs from RMB0.09 in 2020 to RMB0.05 in 2022 for our battery products. In addition, we are able to carry out the construction of our new factories in high speed. We commenced trial production in our Wenzhou Facility I in November 2018 after approximately ten months of construction.

Experienced and dedicated leadership team with entrepreneurial spirit and rich industry experience

Our senior management possesses rich industry experience and solid execution skills with the entrepreneurial spirit of strong determination and pioneering exploration. Our senior management team possesses over 20 years of experience on average in R&D and production. Some of the management members also have extensive experience in the automotive industry. These enable us to achieve an outstanding track record.

Our senior management team is led by Dr. Cao Hui, the chairman of the board and president of the Company, is an expert in the field of lithium-ion battery industry. He previously worked at Shanghai Aerospace Power Technology Co., Ltd, and has been committed to the research and industrialization of EV batteries, ESS batteries and the relevant systems for over 20 years. In 2009, he led the effort in setting up an early batch of GWh production line of EV batteries in Shanghai, and initiated various technological innovations for the EV battery industry. Dr. Cao also led and completed a number of major projects under the 863 Program of the Ministry of Science and Technology and those initiated by Shanghai Science and Technology Commission. As of the Latest Practicable Date, he is the inventor of more than 870 patents, including 82 PCT patents. Over 509 of the applications for such patents have been granted, including 38 invention patents and one was granted the PCT status both in the U.S. and Japan. In addition, a number of patents have been successfully applied and commercialized.

Our management has implemented a flat management structure and established a set of top-down management practice covering a full range of production and R&D matters to ensure that our operation is conducted in a highly efficient and orderly manner. Our employees are encouraged to "be a pioneer with integrity and efficiency," which is the corporate culture that we have been promoting. In addition, we also have competitive incentive plans to encourage the motivation of our employees.

Commitment to green and sustainable development with high ESG standard

We have a well-established ESG framework and have set up a dedicated team and formulated relevant rules. We implement an effective environmental and occupational health and safety management system, saving energy and protecting the environment. Our products have passed relevant environment inspections, and strictly comply with relevant environmental protection standards. More specifically, we have implemented the following measures and systems:

- *Supply chain traceability and management*. We have included ESG related performance into our supplier evaluation criteria. We pay close attention to carbon emissions caused by the suppliers, and are committed to working with suppliers to address pollution during raw materials production. For instance, we purchase raw materials from Tsingshan Group, while Tsingshan Group is in the process of installing a 25MW solar farm in its joint-venture lithium salt lake project Centenario-Ratones in Argentina, which will significantly lower the carbon footprint.

- *Energy Utilization*. We have established a photovoltaic green energy system in our Wenzhou facility. The photovoltaic green energy system is able to save standard coal and reduce the emission of carbon dioxide. We also have set up a special heat recovery system to reduce the consumption of natural gas, which allowed us to save approximately 700,000 m^3 of natural gas per annum.

- *Discharge and recycle of waste*. We use special boilers that reduce the concentration of carbon dioxide and other pollutants in our emissions. We have been able to meet emission standards and comply with the Emission Standard of Air Pollutants for Boiler since our inception. In terms of solid waste recycling, we cooperate with professional resource recycling operators, leverage their expertise and technology and recycle general solid waste through detailed classification, which has increased the recycle value of the solid waste.

- *Occupational health and safety*. We are committed to occupational health and safety of our employees. Since our inception and up to the Latest Practicable Date, we did not experience any material accidents involving personal injury or property damage, and we were not subject to any material claims, lawsuits, penalties or disciplinary actions as a result of any material accidents.

- *Corporate social responsibility framework*. We have set up a social responsibility management team in which the chairman of the board serves as the responsible person and the chief executive as the management representative. We have been recognized by the ISO 45001:2018 – Occupational Health and Safety Management System, and have received the bronze medal for corporate social responsibility awarded by EcoVadis, an international business sustainability ratings platform, in March 2021. Our social responsibility management has been widely recognized by our customers in China and abroad, which helped our exports to Europe.

- *Battery recycling*. We are also committed to establishing and developing technologies to recycle lithium-ion batteries. In November 2021 and July 2022, we entered into strategic cooperation agreements with GEM (格林美) to jointly promote the safe recycling for EV batteries for the safe recycling, storage and green disposal of lithium-ion batteries, and to provide quality solutions in relation to resources.

We have obtained multiple awards and recognitions in relation to our ESG achievements during the Track Record Period, such as the 2021 Zhejiang Provincial Green Low Carbon Factory award, the 2021 "waste-free factories" of Zhejiang Province and the 2022 Zhejiang Provincial Green Factory.

DEVELOPMENT STRATEGIES

We aspire to become the most competitive EV and ESS battery manufacturer offering innovative, eco-friendly, reliable and safe products with competitive prices, and we plan to achieve such goal by implementing the following development strategies:

Further our dual-focus on EV and ESS batteries

We believe that both the EV and ESS battery markets have significant growth potential. We intend to actively seize the opportunities in both markets through the following initiatives:

- *EV batteries*. We plan to focus on expanding passenger vehicle customer base, in particular mid- to high- end passenger vehicle manufacturers in China and overseas. In addition, we plan to expand the application of our products to more scenarios, including mining equipment, construction machineries and vessels. We also plan to consolidate and deepen the cooperative relationship with our recognized business partners through various initiatives such as establishing joint ventures, in order to increase our customer penetration rate and strengthen our product offering, thereby increasing our market share.

- *ESS batteries*. We plan to consolidate and deepen our cooperative relationship with our existing domestic customers and increase penetration rate. In addition, we are contemplating to expand our customer base to include more overseas ESS integrators, thereby increasing our export sales. We also intend to increase the portion of our ESS battery packs in our sales.

Devote to R&D and Innovation

We intend to further our commitment on R&D and innovation to strengthen our market position and roll out competitive products. We plan to focus our R&D efforts to improve energy density, cycle life, safety, fast-charging and cost-effectiveness of our products. In particular, we intend to advance our R&D in the following areas:

- *Composite material system*. We aim to improve the safety performance and power performance of battery products employing the ternary composite phosphate system to meet various application scenarios.

- *Lithium manganese-iron phosphate battery system*. We have started the development and production of lithium manganese-iron phosphate batteries. Due to the characteristics of high voltage and abundant supply of manganese, lithium manganese-iron phosphate batteries can achieve higher energy density, lower cost per Wh and better performance in low temperature environment compared to LFP batteries, and have better safety performance compared to ternary batteries.

- *Solid-state battery*. We are currently conducting research in on the all-solid-state battery electrolyte materials, solid-state electrolyte reaction interface performance and solid-state battery production process. The purpose of developing all-solid-state battery is to achieve a balance of safety and energy density.

- *Sodium-ion battery*. To reduce the cost of ESS batteries and lower the dependence on metals such as lithium, nickel, and cobalt, we have conducted research on anode and cathode material system, electrolyte system and process of the sodium-ion battery production.

- *Recycling technologies.* We plan to focus on recycling technologies such as EV battery residual energy testing and secondary use solutions and processes to maximize the cost-effectiveness of EV batteries and focus on improving the safety, stability and cycle life of recycled products. We also aim to reduce the costs of battery regrouping application, qualification testing and production through recycling technologies.

Expand our production capacity steadily and orderly according to market demand while pursuing cost leadership

To capture the rapidly growing downstream demands, we plan to further expand our production capacity. Our goal is to have a production capacity of over 150GWh by the end of 2025. As of December 31, 2022, our designed annual production capacity reached 35.2GWh. We plan to increase our production capacity to 77GWh by the end of 2023. We plan to implement the following plans:

- *Expansion of existing facilities.* We plan to expand our production capacity at our Jiashan facilities to 32GWh by the end of 2024. We also plan to expand our production capacity at our Wenzhou facilities to 50GWh by the end of 2024.

- *New production facilities.* We plan to establish new production facilities at Foshan and Liuzhou, with planned production capacity of 30GWh and 20GWh, respectively. We plan to complete the construction and commence commercial production at these production facilities in the second half of 2023. See "– Production – Planned Production Facilities" for details of our planned production facilities.

In February 2023, we entered into a strategic agreement with local government in Fuling District, Chongqing, to establish a production facility for battery cells and battery packs with a planned annual production capacity of 30GWh of battery cells. The implementation of such project is subject to further feasibility studies and relevant regulatory approval. Chongqing is of strategic importance to us because it has abundant energy resources, favorable government policies and vast potential for EV manufacturing and ESS projects.

In March 2023, we entered into a strategic agreement with local government in Jiashan, Zhejiang, in relation to the construction of a production facility as phase III of Jiashan facility for lithium-ion battery products with a planned annual production capacity of 45GWh. The implementation of such project is subject to further feasibility studies and relevant regulatory approval. The construction of phase III of Jiashan facility will further expand our production capacity in Jiashan and enhance our presence.

We also believe that having production facilities and capacity globally is crucial to the long-term sustainable growth of our business. We plan to establish production facilities in regions such as Europe, Southeast Asia and South America. Such initiatives will allow us to enhance our presence worldwide, have closer access to local natural resources and raw material and diversify our geopolitical risk exposure. In Europe, we intend to establish production facilities for battery packs in the near term and battery cells in the longer term. In Southeast Asia, we intend to establish production facilities for battery cells. This will enable us to capitalize on the various strategic endeavors of Tsingshan Group in Indonesia in the upstream of the industry chain, and to grasp the rapid growth in demand in the Southeast Asia. In South America, we intend to establish production facilities for battery packs and obtain access to the American markets, also leveraging Tsingshan's existing footprints.

In addition, we intend to reduce our operational cost through developing new production technologies, installing advanced equipment and machinery, and optimizing the production processes and techniques. See "– Production." Further, we aspire to reduce the consumption of raw materials per Wh through improvement of production efficiency. As we accumulate experience in EV and ESS battery manufacturing, our workforce would become more familiar with the operation and management of production lines, which will also contribute to production efficiency improvement and cost reduction.

Ensure stable and cost-effective supply of raw materials

We plan to capitalize on the unique strategic resources of Tsingshan Group, our Controlling Shareholder, in the upstream of the industry value chain, which covers the mining and refining of nickel, lithium and cobalt, the production of cathode materials, anode materials, separators and electrolytes, to build up a stable supply chain system and actively increase our profit margins. We also intend to secure a stable supply of raw materials on a long-term basis in view of the rapid growth in demand for certain key raw materials in recent years and a significant price hike in 2021 due to supply shortage. In particular, we plan to continue to enter into long-term agreements with our key suppliers to reduce price fluctuations while maintaining a pool of alternative qualified suppliers to avoid temporary shortage.

In addition, we plan to invest in upstream raw material suppliers to further strengthen our position in the industry value chain. Such investments will allow us to gain a better understanding in the market trend of our raw materials. We will also obtain more control in the cost, quantity and timeliness of our raw material supplies. We are currently performing initial assessment and have not identified any definitive investment targets. When considering investment plans, we will take into account the following criteria:

- *Supply of raw material*: whether the target will allow us to secure high-quality and stable raw material supplies with low cost;

- *Location*: whether the geographic location is in the vicinity of our production facilities/customers; and

- *Form of investment*: we may consider, among others, direct equity investment and other forms such as debt or royalty investment that would allow us to gain economic exposure to upstream business.

Promote green and sustainable development with high ESG Standards

We are committed to fulfilling our social responsibilities and promoting green and sustainable development with high ESG standards. In particular, we plan to undertake initiatives in the following aspects:

- *Green supply chain.* We plan to keep monitoring at our environmental impact across our supply chain, and carrying out comprehensive green supply chain assessment to ensure that our supply chain partners meet all the applicable environmental standards.

- *Green production.* We plan to implement the eco-design concept at product design phase and integrate the environmental management system into all aspects of production activities. We will pay close attention to the energy-saving and environmental protection technologies of our factories and equipment, including waste heat recovery, solid waste treatment and gas emissions, and recycle all waste materials generated in the manufacturing process to the extent practicable.

- *Energy use*. We plan to reduce the use of fossil fuel energy in our operations with green energy sources such as solar power, wind power and hydropower to further increase green energy ratio. We plan to install rooftop photovoltaic power generation and intelligent micro-grid ESS projects at our Liuzhou facility. In addition, we plan to utilize facility management and control system to closely monitor various energy consumption data such as electricity, gas and water, and conduct optimal scheduling, balanced forecasting and energy saving management of energy resources.

- *Battery recycling*. We plan to reduce the environmental impact in the recycling process with our technologies. We also plan to cooperate with the end-users of our ESS battery products for echelon utilization of retired batteries. Furthermore, we plan to extract lithium, nickel, cobalt and other metals from end-of-life lithium-ion batteries, thereby achieving raw materials recycling and costs reduction.

OUR BUSINESS MODEL

We are mainly engaged in the design, R&D, manufacturing and sales of lithium-ion EV battery products and ESS battery products. We have built a high degree of mutual trust, synergy and win-win relationship with partners in the upstream and downstream of the industry chain. Benefitted from the extensive experience and advantages accumulated by Tsingshan Group, our Controlling Shareholder and the world's largest nickel and stainless steel producer by production volume in 2022 according to the F&S Report, we have strong execution capability in designing, constructing and operating large-scale production facilities. We enjoy a unique advantage of resource integration and full industry chain synergies as endowed by Tsingshan Group. Being part of the Tsingshan Group ecosystems facilitate the process of building trusts and business relationships with various raw material suppliers and secure supplies of important raw materials.

We have a broad and diversified EV battery customer base, covering both domestic and international established automakers that manufacture EVs and emerging EV manufacturers. We sell substantially all of our EV battery products in the PRC. Our EV battery products are also used in overseas markets including Europe, Middle East, Africa, Southeast Asia and India.

In household energy storage scenarios, we sell our ESS battery products to household ESS integrators in China, who then install them in their products and may sell to overseas end users in the United States, Europe, Japan, Australia, India, Southeast Asia and Africa. Apart from household energy storage scenarios, our ESS battery products are used in large-scale industrial energy storage scenarios such as power stations and power grids in China and overseas. In addition, our ESS products can be used in commercial energy storage scenarios such as the energy storage of shopping malls or factories.

OUR PRODUCTS

Overview

We primarily sell lithium-ion EV battery products and ESS battery products to our customers.

Our EV battery products include LFP battery products and ternary lithium battery products used in various types of passenger vehicles, commercial vehicles and special vehicles. We were among the top 10 EV battery manufacturers in China in 2020, 2021 and 2022 in terms of annual installations, according to the F&S Report.

Our ESS battery products are LFP battery products for a broad range of household and industrial and commercial energy storage use cases. We have achieved significant growth in the lithium-ion ESS sector since our inception and have accumulated a vast customer base for our products. According to the F&S Report, we were among the top three manufacturers for ESS batteries among China-based manufacturers in 2022 in terms of global annual installations.

Our other businesses mainly include sales of wastes, sales of battery components and R&D services. We sold wastes such as low concentration crude NMP which was produced during the production of our lithium-ion battery products during the Track Record Period. However, as we ceased to sell the crude NMP and consigned third-party companies to process it under the new arrangement since July 2022, we expect the revenue from sales of wastes to decrease significantly going forward. We provide R&D services to our customers for product development, the scope of which primarily entails customizing our battery products to meet the specification requirement for relevant EV models.

The table below sets forth a breakdown of our revenue by product type for the periods indicated:

	Year Ended December 31,					
	2020		2021		2022	
	(in RMB thousands, except for percentages)					
EV battery products	673,192	74.2%	981,507	46.5%	4,642,801	31.7%
ESS battery products	182,105	20.1%	859,459	40.7%	8,400,597	57.4%
Other businesses						
Sales of wastes(1)	43,744	4.8%	251,167	11.9%	796,789	5.4%
R&D services(2)	6,299	0.7%	7,188	0.4%	22,308	0.2%
Others(3)	1,646	0.2%	9,823	0.5%	785,283	5.3%
Subtotal	51,689	5.7%	268,178	12.8%	1,604,380	10.9%
Total	**906,986**	**100.0%**	**2,109,144**	**100.0%**	**14,647,778**	**100.0%**

Notes:

(1) The sales of wastes mainly include revenue from sales of used raw materials such as low concentration crude NMP.

(2) The revenue from provision of R&D services refers to charges on the customers for the upfront R&D services for the purpose of developing customized battery products.

(3) Others mainly include revenue from sales of battery components.

EV Battery Products

Our EV battery products are produced and sold in the form of battery cells, battery modules and battery packs depending on the needs of our customers. EV batteries that are installed in EVs are typically battery packs.

- A battery cell is the basic unit that converts chemical energy into electrical energy and is the core and smallest function unit in the product. It consists mainly of cathode, anode, separators, electrolytes and housing components.
- A battery module combines more than one battery cell, and is resistant to external shock, heat and vibration.
- A battery pack consists of multiple battery cells or battery modules, battery management system, temperature management system and other control and protection systems. A battery pack can be installed in EVs as a power source, obtains electrical energy from outside and outputs energy externally.

The table below sets forth a summary of our main EV battery products by battery technology.

Product Type	Product Picture	LFP Battery Product Features	Ternary Lithium Battery Product Features
EV Battery Cells	 	mass energy density: 170~200Wh/kg; cycle life: ≥4000 times; capacity: 104~230Ah	mass energy density: 230~280Wh/kg; cycle life: ≥2500 times; capacity: 155~243Ah
EV Battery Modules		mass energy density: 160~180Wh/kg; easy for green echelon use; thermal runaway diffusion prevention; explosion suppression and fireproof	mass energy density: 200~220Wh/kg; thermal runaway diffusion prevention; explosion suppression and fireproof
EV Battery Packs		mass energy density: ≥140Wh/kg; high volumetric utilization rate; green, removable CTP; thermal runaway diffusion prevention; explosion suppression and fireproof; super stable structure	N/A

ESS Battery Products

Our ESS battery products are LFP battery products and are mainly produced and sold in battery cells, battery modules and battery packs which include battery boxes, battery racks and energy storage containers. Battery racks and energy storage containers can be directly applied in various energy storage use cases.

- A battery cell, similar to our EV battery cell, is the basic unit that converts chemical energy into electrical energy, and is the core and smallest function unit in the product. A battery cell consists mainly of anode, cathode, electrolytes, separators and housing components.

- A battery module, similar to our EV battery module, stacks the battery cells into a frame to protect them from external shock, heat or vibration.

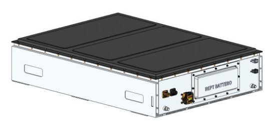
- A battery pack consists of several battery modules and may be produced in the form of battery boxes, battery racks and energy storage containers.

  (i) A battery box is the smallest installation and maintenance unit and building block for an ESS, consisting of several battery modules, connectors, high and low voltage interfaces, thermal management devices and BMS control modules. Our battery boxes can be used in scenarios that have large scale energy storage requirements such as power stations and power grids, as well as smaller industrial and household energy storage use cases.

  (ii) A battery rack consists of several battery boxes connected together inside a frame and has components including BMS master control module, short-circuit protection elements and high-voltage switching elements. Similar to our battery boxes, our battery racks can be used in scenarios that have large scale energy storage requirements such as power stations and power grids, as well as smaller industrial and household energy storage use cases.

  (iii) An energy storage container contains several battery racks, BMS master control systems, direct current sink cabinet and fire suppression device integrated into a prefabricated cabin. The prefabricated cabin has its own independent power supply system, environment control system, thermal insulation system, safety escape system and emergency system. It is an industrial-level energy storage product designed for scenarios that have large scale energy storage requirements such as power stations and power grids.

The table below sets forth a summary of our main ESS battery products.

Product Type		Product Picture	Product Features
ESS Battery Cells			mass energy density: 145~190Wh/kg; cycle life: 4,000 times~8,000 times; capacity: 50~305Ah
ESS Battery Modules			cycle life: 4,000~6,000 times; in accordance with GB, UL, IEC, JIS and other domestic and international standards
	• ESS battery boxes		air-cooled and liquid-cooled standard ESS battery boxes; in compliance with GB, UL, IEC and other domestic and international standards
ESS Battery Packs	• ESS battery racks		voltage level compatible with 850V~1500V; in compliance with GB, UL, IEC and other domestic and international standards
	• Energy storage containers		highly integrated; equipped with air-cooled and liquid-cooled heat management systems; voltage of 850V and 1500V; multiple joint high safety fire fighting system; in compliance with GB, UL, IEC and other domestic and international standards

RESEARCH AND DEVELOPMENT

Our Research and Development

As of December 31, 2022, we had 2,063 employees involved in R&D functions, approximately 11.7% of whom hold a master's degree or above. The core members of our R&D team have over 10 years of experience on average in the R&D of lithium-ion battery technologies with extensive connections in the industry. In addition, our system development personnel have extensive experience in full vehicle development, enabling us to understand and capture the demands of our customers more accurately.

We have R&D centers located in Shanghai and Wenzhou, and an R&D center in Jiashan which is under construction. Our R&D centers focus on the R&D of battery technologies such as electrochemical technology and structural innovation. Our R&D center in Shanghai focuses on the research, development and initial testing of our battery products and systems. Our R&D center in Wenzhou focuses on the design and development of our products and development of our technology and equipment. Our R&D center in Jiashan will focus on the artificial intelligence manufacturing, equipment and structure innovation and the testing and certification of systems. We also have a performance test center that is fully equipped to meet the requirements for performance research of cell, module, system and BMS.

Certain details of our Shanghai R&D center, Wenzhou R&D center and Jiashan R&D center are set out as follows:

R&D center	Departments and major responsibilities
Shanghai R&D center	• The Battery Technology Department is composed of product team, materials team and pioneer technology team, which are responsible for the development of battery products, raw materials and new technologies, respectively. • The Systems Technology Department mainly focus on the research and development of passenger vehicles, commercial vehicles and ESS. • The Test Department conducts initial tests of batteries and module systems.
Wenzhou R&D center	• The Battery Technology Department, consisting of product team and material team, develops new products and provides technical support.

R&D center	Departments and major responsibilities
	• The Systems Technology Department is responsible for the industrialization of module system products.
	• Test and Trial Production Department conducts pilot tests of our products and systems, focuses on product certification, standardization and other related work.
	• The Process and Equipment Department is responsible for conducting research on new technology and equipment.
Jiashan R&D center	• The Artificial Intelligence Manufacturing Department is responsible for the intelligent manufacturing of products to ensure the high quality and reliability of mass-produced products.
	• The Process and Equipment Innovation Department is responsible for the development of new production process and new equipment, improving production efficiency and reducing energy consumption.
	• The System Structure Innovation Department is responsible for the innovation and optimization of the full vehicle and industrial and commercial ESS structure.
	• The Testing and Certification Department is responsible for the testing of materials, batteries and module systems, covering physical, electrical, mechanical, thermal and safety tests.

Research and Development Resources

We have received accreditations including Wenzhou Enterprise R&D Center, Zhejiang High-tech Enterprise R&D Center, CNAS National Accredited Laboratory and TUV Rheinland Eyewitness Laboratory Accreditation. With advanced pilot line equipment and multiple test channels, we have sufficient resources needed for the R&D process and meet our customers' testing needs in a timely manner.

In addition to our in-house R&D capabilities, we engage in R&D collaboration with third parties to jointly develop new technologies and products to meet evolving market demands. We believe that these collaborations will deepen our insight into industry trends and emerging technologies, allowing us to focus on our continuous R&D efforts in a more efficient manner. We have formed in-depth collaboration with universities and research institutions. We have undertaken a number of projects to carry out research in new technologies, providing important technical support for our subsequent product development.

For example, during the Track Record Period, we have entered into a joint development agreement with an automotive manufacturing company to develop multi-system hybrid battery packs. As of the Latest Practicable Date, we have completed the production of sample battery packs and the products are under testing. We have also entered into a tri-party joint development agreement with a university and an automotive company specializing in the manufacturing of BEVs to develop lithium-ion batteries. As of the Latest Practicable Date, the project has been completed.

Although every joint technology agreement varies, for joint technology development agreements with third parties such as our customers and universities with industry expertise, we generally specify in the agreement as to the specific types and the specifications of the products. We will also take the initiative in preparing the design and work plan and work seamlessly with third parties to deliver products that are best suited for their newly developed models, while third parties are generally responsible for the testing and inspection of the product.

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

Major terms	Content
Ownership of intellectual property rights	The new intellectual property rights and related rights and interests developed independently by each of the two parties belong to themselves respectively, and the new intellectual property rights and related rights and interests jointly developed by both parties shall be shared by both parties.
Confidentiality	Any information obtained during joint development shall not be disclosed to any other third party. The confidentiality obligation under the agreement shall not be affected by termination or lapse of the agreement.

Major terms	Content
Term and termination	The term of the agreements varies from six months to one year.
Development progress	Each party shall inform the other one in writing of any delay or any anticipatory delay in development of the relevant products.
Allocation of costs	Each party shall bear its own costs.

In 2020, 2021 and 2022, our R&D expenses were RMB72.7 million, RMB245.6 million, and RMB767.7 million, respectively. See "Financial Information – Period to Period Comparison of Results of Operations – Research and Development Expenses" for details of the rising trend in our R&D expenses during the Track Record Period. During the Track Record Period, all of our R&D expenditures were recognized as expenses in the period when such expenses were incurred.

Our Key Technologies

As a result of our long-term dedication in R&D, we have developed a broad portfolio of key technologies that are used in our products. Leveraging these advanced technologies and our R&D capabilities, together with our manufacturing expertise, supply chain management capabilities and experienced and dedicated leadership team, we are able to develop and produce products that meet our customers' requirements. We are committed to continuously improving R&D capabilities for our technologies, so as to ensure the competitive advantages of our products in various application fields. Set forth below are our key technologies:

- *SCL technology*. This technology effectively increases the volumetric energy density of the battery cell by avoiding burrs on the top of pole pieces caused by double cutter step at the die cutting stage, and improve the utilization of battery space.

- *Minimalism battery top cover.* Compared with traditional injection-molded top cover structure and riveted plus welded top cover structure, this technology can increase the effective usable capacity and space of battery cells and reduce battery weight and production cost.

- *Green adhesive-free and detachable CTP*. This technology further improves the space utilization of the battery pack by optimizing the individual and module structural design, realizing the de-structuring of the battery pack and effectively improving the pack integration rate. This technology enables the dismantling of large battery packs through the use of structural fixing points between module cells, and do not require traditional structural adhesives, thus reducing the maintenance requirements for batteries and allow for convenient recycling. This system also enables the cells to be adapted to different chassis space sizes, allowing for increased battery volume utilization.

- *Internal circulation and auto-equalization technology*. This technology enables flexible adjustments in electricity level among different battery cells in the charging process by using special additives in the battery, so as to improve consistency of electricity level.

- *High safety battery technology*. This technology allows battery to maintain performance in high temperature by optimizing the selection of positive and negative electrode materials and adopting high safety separator and electrolyte material. It ensures high cathode and anode density, and utilizes semi-solid-state technology to improve battery safety. In addition, it has fireproof characteristics. The relevant product has passed the Japan JET certification and has been enrolled in the Japan SII list. Furthermore, the product has passed nail penetrating test.

- *Battery management system technology*. Our BMS technology covers passenger vehicles, commercial vehicles and ESSs. It adopts cross-border cloud-based remote debugging technology, including remote real-time monitoring and big data analytics to improve the reliability and safety of the battery system. It also adopts a high-performance temperature management system, which improves the effectiveness of liquid cooling systems for energy storage systems. In addition, through our research on self-heating and auto-equalization technology, we have reached a high heating speed, according to the F&S Report.

Our key technologies and R&D achievements improve our products' structure and manufacturing process. Our key technologies and R&D achievements also improve the performance of our products. Specifically:

- *Mass energy density*. We develop and produce products with high energy density. As of the Latest Practicable Date, we achieved mass energy density of 180-200Wh/kg for our mass-produced LFP battery cells and 200-230Wh/kg for our prototype composite battery cells, both of which are at the top level in the industry, according to the F&S Report. As of the Latest Practicable Date, we achieved mass energy density of 245-255Wh/kg for our mass-produced ternary lithium battery cells and more than 300Wh/kg for our prototype high nickel lithium battery cells.

- *Volumetric energy density*. (i) Our proprietary SCL and minimalism battery top cover technologies can effectively improve the space utilization of the cell, increase the height of the cathode pole piece by optimizing the internal space of the cell, simplify the coating process, and reduce the production cost. (ii) Our adhesive-free and detachable CTP technology further improves the space utilization of the battery pack by optimizing the design of the cell and module structures, realizing the de-structuring of the battery pack, thereby effectively improves the integration rate of the battery pack. Our products can reach a volumetric energy density of up to 450Wh/L for LFP battery products, and up to 650Wh/L for ternary battery products. This is considered market-leading, as the industry average volumetric energy density is 300Wh/L to 400Wh/L for LFP battery products and 500Wh/L to 600Wh/L for ternary battery products, according to the F&S Report.

- *Fast charging*. Through double-layer coating technology and ultra-fast conducting ionic material surface coating technology, our fast charging technology comprehensively improves the low-temperature charging performance (-10°C~-12°C) and fast-charging performance of the battery cell. Mass produced products can realize 15-18 minute fast charging and products on development can realize 9-12 minute fast charging. Our products that have been put into mass production are able to meet the fast charging needs of EV customers.

- *Battery cycle life*. According to the F&S Report, we are the first in the industry to have developed the internal circulation and auto-equalization technology, which has substantially improved the consistency and cycle life of large-capacity vehicles and ESSs, and further increase the battery life of large energy storage systems. The highly reliable components can further help the products meet the demands for 8,000-12,000 cycles and 15-20 years of calender life. According to the F&S Report, the industry average battery cycle life is approximately 5,000 to 8,000 cycle.

- *Safety and reliability*. We improve the stable temperature of the thermal box by optimizing the selection of cathode and anode materials and using high safety separators and electrolyte systems. In addition to material selection, we optimize the manufacturing process with over 2,000 quality control points, which ensures product quality. Such technology has obtained accreditation from JET and have been added to the Japan SII list, and has passed the nail penetration test. Such technology has obtained accreditation from JET and has been added to the Japan SII list. In addition, a number of our battery cell products have passed the UL9540A thermal runaway test.

Set forth below are our key R&D achievements and prototypes that are or expected to become designated supply products for our customers:

- *WenDing ("問頂") prismatic batteries*. The WenDing ("問頂") Technology is applied in our prismatic LFP and ternary batteries. We have become a designated supplier to our customer with our LFP WenDing ("問頂") batteries. This is a new technology integrated with innovations in lithium-ion battery structures and in welding techniques for battery tabs and covers, internal electrochemical features and stable solid-liquid interface. Such technology further improves the electrode areal density and enhances the energy density of the battery. The innovation of lithium-ion battery structures was one of the major technological trends of lithium-ion battery innovations other than material innovation. Therefore, our WenDing ("問頂") Technology, with proven applications in our LFP and ternary batteries, was considered as advanced lithium-ion battery technology, according to the F&S Report. The key benefits of our WenDing ("問頂") Technology is as follows:

  (i) For LFP battery products. Up to 450Wh/L volumetric energy density and 190.5Wh/kg mass energy density, enabling a driving range of up to 700km, as compared with 300Wh/L to 400Wh/L volumetric energy density, 160Wh/kg to 180Wh/kg mass energy density, and 300km to 500km driving range that is typical for the current LFP battery products according to the F&S Report.

(ii) For ternary battery products. Up to 650Wh/L volumetric energy density and 300Wh/kg mass energy density, enabling a driving range of up to 1,000km, as compared with 500Wh/L to 600Wh/L volumetric energy density, 230Wh/kg to 260Wh/kg mass energy density, and 400km to 700km driving range that is typical for the current ternary battery products according to the F&S Report.

- *Easy-for-Tera cells ("ET電芯")*. Our Easy-for-Tera cells ("ET電芯") are flat batteries that use stainless steel shell, which are thinner and thus improve the volumetric energy utilization efficiency as compared to traditional aluminum shell. It adopts high-speed winding, cutting or stacking integration technology in our flat batteries, which improves the efficiency of the production process and battery performance. Our Easy-for-Tera cells ("ET電芯") has a mass energy density of 190~210Wh/kg and a volumetric energy density of 420~480Wh/L.

- *Twin Star ("雙子星") battery*. Our Twin Star ("雙子星") battery applies dual chemistry of cathode material. It is developed from new materials and combines the advantage of LFP and ternary batteries. It has high energy density, safety performance and low production costs. The energy density of Twin Star ("雙子星") batteries can exceed 215Wh/kg and 500Wh/L, and the system energy density can reach approximately 175Wh/kg or higher. It can be applied in various use cases and improves user experience through fast charging and high safety performance. The Twin Star ("雙子星") battery was under the sample testing stage as of the Latest Practicable Date and will be ready for mass production before June 2024.

- *Semi-solid state battery*. The semi-solid battery under development adopts high nickel cathode and silicon carbon anode matched with semi-solid technology. Such technology enhances the reliability, cost-effectiveness and marketability when developing of battery products. It can further increase the mass-energy density with a guarantee of safety. We have produced semi-solid electrolyte systems through different gelation routes and have produced semi-solid soft pack battery samples. We are also conducting battery performance tests and have launched samples of semi-solid square batteries in mid-2022. We have sent prototype semi-solid state battery products to a leading luxury vehicle company in Europe for verification.

- *Versatile power station*. Our versatile power station can be used in various use cases such as electrical energy storage, vehicle charging and utility power backup. It has electrical control functions such as parallel and off-grid switching, alternate use of multiple batteries, multi-level electrical protection and anti-reverse current. It is equipped with automatic fire prevention system, including high-sensitivity detectors of temperature, smoke and gas, to improve the safety of the energy storage system. This system is equipped with a 280Ah long-life LFP battery, which can satisfy the maximum discharge demand of 360kW, realizing fast charging of the vehicle, also supporting continuous charging and discharging at large multiplier, while maintaining a stable temperature. We have sent prototype versatile power station sample to a leading luxury vehicle company in Europe for verification.

Our Research and Development Roadmap

We dedicate our R&D resources to improving the performance and production of our existing products, as well as to the R&D of the next generation of products and materials. The table below illustrates our key R&D programs, key features, and the respective (expected) timelines.

Product	Key features	Timeline
Semi-solid state battery	The semi-solid battery enhances the reliability, cost-effectiveness and marketability of battery products. It can further increase the mass-energy density with enhanced safety performance.	Early 2022 – late 2023: complete prismatic battery sample prototyping, send prototypes to factories. Late 2023 – late 2025: complete construction of production lines and start mass production.
Solid state battery	The solid state battery has the advantage of achieving a balance of safety and energy density.	Early – late 2027: complete sample prototyping. Early 2028 – late 2030: complete mass production prototyping and evaluation.
Composite material system	The composite material system improves the safety performance and power performance of the ternary composite phosphate system to meet various application scenarios.	Early 2023 – early 2024: complete sample prototyping. Mid 2024 – mid 2025: complete construction of production lines and start mass production. Mid 2025 – late 2026: continue to optimize and enrich composite material system battery products.
New material system battery	The new material system battery can comprehensively reduce the substantial carbon emissions from the processing of ore raw materials and can meet the needs of renewable applications.	Early 2026 – late 2027: complete sample prototyping. Early 2028 – late 2029: complete mass production evaluation and testing. Early – late 2030: complete construction of production lines and start mass production.

Product	Key features	Timeline
Lithium manganese iron phosphate battery	Lithium manganese-iron phosphate batteries can achieve higher energy density, lower cost per Wh and better performance in low temperature environment compared to LFP batteries, and have better safety performance compared to ternary batteries.	Early – late 2023: complete sample prototyping. Late 2023 – late 2024: complete construction of production lines and start mass production. Early 2025 – late 2030: continue to optimize and enrich lithium manganese iron phosphate battery product portfolio.
Sodium-ion battery	Sodium-ion batteries can reduce the cost of ESS batteries and lower the dependence on lithium.	Early 2022 – late 2023: complete sample prototyping. Early 2024 – late 2025: complete construction of production lines and start mass production.

To achieve our R&D objectives, we adopt the following R&D principles and methods:

- We combine R&D of future-ready solutions with market-driven, present-focused innovations. On the one hand, we undertake medium- to long-term R&D projects in the direction of the next-generation of batteries based on our understanding of the development in battery technologies; on the other hand, we closely track the customers' demands and engage in targeted short- to medium-term technology innovations. Furthermore, we gain insights from downstream customers to facilitate the choice of our R&D direction;

- We strive to improve R&D efficiency in a cost-effective way, and include cost calculations throughout the R&D process, so that we make technological innovations while keeping a focus on cost reduction;

- We hold technology innovation conferences from time to time, and inspire our R&D personnel's creativity and vitality through a scientific management system and incentive means. At the same time, we aim to speed up the commercialization of our technology reserves through collaboration with universities and research institutions on relevant research projects and technology topics; and

- We have a dedicated department to carry out the R&D of next-generation technologies. This will help us maintain a long-term technological advantages in the industry competition.

To underpin future growth, we intend to continue our efforts on the R&D of our products and systems. We plan to capitalize on the strength of our R&D team to further enhance our technological edge in the battery production industry. In particular, we intend to advance our R&D in the following areas:

- *Composite material system*. We aim to improve the safety performance and power performance of the ternary composite phosphate system to meet various application scenarios.

- *Recycled material system battery*. By recycling used batteries, separating cathode materials, and applying decomposition and staged processing technologies as well as blending applications, we are able to design and construct low-cost materials to produce recyclable batteries. Such technology can comprehensively reduce the substantial carbon emissions from the processing of ore raw materials. Combined with the low cost of renewable materials and new process and equipment technology, we are able to develop new material system batteries that meet the needs of renewable applications. We intend to complete construction of production lines and start mass production by December 2030.

- *Lithium manganese-iron phosphate battery system*. We have started the development and production of lithium manganese-iron phosphate batteries. Due to the characteristics of high voltage and abundant supply of manganese, lithium manganese-iron phosphate batteries can achieve higher energy density, lower cost per Wh and better performance in low temperature environment compared to LFP batteries, and have better safety performance compared to ternary batteries.

- *Solid-state battery*. We are currently conducting research in on the all-solid-state battery electrolyte materials, solid-state electrolyte reaction interface performance and solid-state battery production process. The purpose of developing all-solid-state battery is to achieve a balance of safety and energy density. By improving the interface characteristics of solid-state battery, we intend to scale up trial production and ultimately achieve mass production of solid state battery.

- *Sodium-ion battery*. To reduce the cost of ESS batteries and lower the dependence on lithium, we have conducted research on anode and cathode material system, electrolyte system and process of the sodium-ion battery production.

INTELLECTUAL PROPERTY

We rely on a combination of trademark, trade secret and other intellectual property laws as well as confidentiality agreements with our employees, suppliers, customers and others to protect our intellectual property. As of the Latest Practicable Date, we had 123 registered trademarks in China, which are material to our business. In addition, as of the Latest Practicable Date, we had a total of 1,300 patents and 20 software copyrights, which are material to our business. For details of our intellectual property portfolio, see "Statutory and General Information – Intellectual Property."

We have various measures and tools to minimize our risk exposure to IP rights infringement. We established a series of intellectual property management measures based on the relevant PRC laws and regulations. We have a large patent database that allows for searches on patents in relation to products to be designed and developed. In addition, we incorporate IP search and review into the evaluation of new product design to prevent infringement of IP rights by us. If the IP search results identify potential risks from the supplier side, we will ask the supplier to provide a commitment of non-infringement to minimize our risk exposure to infringement of intellectual property rights. If the IP search results indicate potential risks in relation to a product design specified by customers, we would promptly inform the customers such risks. We also have an in-house IP consultant that monitors our IP status.

Internal Control Measures Relating to Intellectual Property Rights

We adopt a full product-cycle risk tracking mechanism as our internal control mechanism to prevent and control the risk of any intellectual property infringement throughout the process of development of new products and/or technologies. Prior to the application of new products design and the new technologies, we will conduct an infringement risk assessment on the entire design plan, such that to ensure proper alert system and risk management mechanism is applied throughout the process from project launch, design, trial production to mass production. For each of our R&D projects, we are equipped with intellectual property engineers specifically responsible for the project to follow up the R&D of each new product. The responsible intellectual property engineers are required to monitor the relevant intellectual property protection during the entire production process of new products, from the development stage of project initiation, preliminary design, development and sample preparation up to the process of mass production of the products. Through the technical decomposition of product design solutions, we properly protect the inventions and innovations generated at each stage via patents or professional technologies. Meanwhile, we conduct real-time risk investigation on the design plans of each stage to implement full-cycle product control, reduce the risk of infringement and properly protect our patents and technologies at the same time.

Employee Management and Internal Intellectual Property Protection Management System

We require our employees to sign standard agreements stating that service inventions, trade secrets, and R&D achievements obtained by our employees during their service with us shall be our assets and that the titles of such achievements shall be transferred to us. We safeguard our legal rights and interests by identifying and monitoring the potential risk of third-party infringement on our intellectual property rights. We ensure effective protection of our R&D achievements and prevent and control of IP risks through our comprehensive IP protection management system.

External Intellectual Property Management and Risk Control Measures

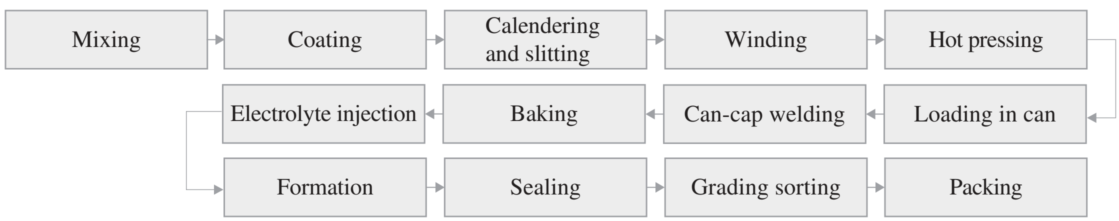
We regularly monitor the status of intellectual property rights of our products under development to avoid infringement in order to minimize the risk of intellectual property right infringement which may have an impact on the sustainable operation of our business. During the supplier selection process, through a combination of supplier due diligence and independent investigation, we strictly assess whether or not the suppliers have legal intellectual property rights or licensed rights over the products they supply, in order to mitigate the risk of exposing ourselves to any intellectual property infringement claims of components sourced from external parties. We include clauses relating to the ownership and protection of intellectual property rights in our R&D agreements with business partners. We require our business partners to avoid infringement of intellectual property rights of other third parties. We also include clauses relating to the ownership and protection of intellectual property rights in our sales agreements to clarify the responsibility for intellectual property infringement, requiring our business partners to protect our intellectual property rights and not to infringe on our intellectual property. We sign confidentiality agreements with our business partners to clarify the protection of trade secrets and technical information and specify the consequences of breach of such agreements. In addition, we also appoint legal professionals to conduct patent infringement risk investigations and analysis, and obtain legal opinions on our core products so as to ensure that there are no potential patent infringement risks for our products.

During the Track Record Period and up to the Latest Practicable Date, as advised by our PRC Legal Advisor, there have been no IP-related lawsuits or arbitrations that have had a material adverse effect on our business in the PRC.

PRODUCTION

Battery Cells

Our battery cells are produced under strictly controlled cleanliness and humidity conditions in our manufacturing facilities. The production process of our battery cells consists of three main stages: electrode manufacturing, cell assembly and cell chemical testing. There are approximately 2,000 control points in the manufacturing process of battery cells, which can be used to monitor the quality of the battery cells. All of these production processes are performed in-house. The following diagram illustrates the key production steps for our battery cells.



We apply the following technologies in our battery cell production process.

- *ISO-6 cleanliness environmental standards for key processes:* We have established a comprehensive on-line workshop cleanliness detection system, and manage and control the workshop environment in accordance with the sub-environmental control standard, to meet the optimal cleanliness standard;

- *Fully automatic high-speed double-roller rolling and roll contact:* This technology is used for pole pieces thickness measurement and closed-loop pressure adjustment, which can improve consistency of pole pieces' thickness. Multi-pole stretching is applied to improve the consistency of stretching.

- *SCL die-cutting technology:* This proprietary technology reduces quality issues at cutting stage, where the sharp points may pierce through the diaphragm and cause short circuit. It can also improve energy density of the battery cell.

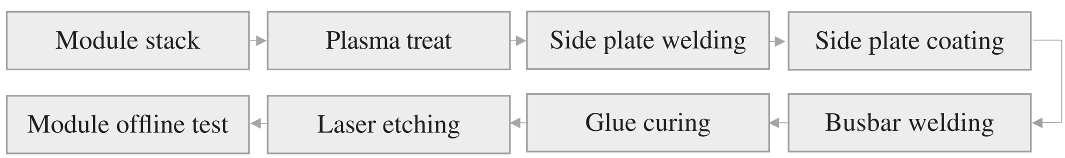
- *High efficiency liquid injection process:* This process uses bell type ultra-high pressure isobaric liquid injection equipment, achieving high injection pressure of maximum 1200KPa and increases equipment efficiency.

- *High efficiency pulping technology:* We have developed this technology to match the performance of kneader with disperser, which increases the dispersion uniformity of the pulp and reduces pulping time. Such technology was efficient in improving our production efficiency.

- *Adapter welding technology:* We have developed this technology to allow adapter plate to be welded in the middle area, thereby changing the shape of lugs and reducing short circuits caused by lug insertion. Such technology allowed us to reduce the use of raw materials, improve energy density in vertical direction, enhance electrode safety and improve our production efficiency.

Battery Modules

A battery module consists of a number of battery cells connected in series or parallel. The number of battery cells varies according to energy demand and voltage demand of the battery. The following diagram illustrates the key production steps for our battery modules.



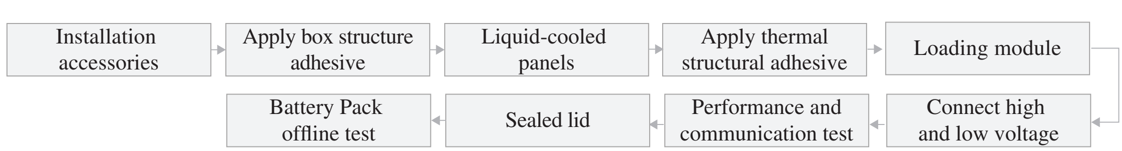
We configured a total of 82 error-proof items for module production and we apply the following technologies in our battery module production process:

- The Statistical Process Control (SPC) tool analyses and continuously improves all process variations to reduce the probability of defects, eliminates defect run-off and ensures the quality of our products.

- Through continuous process optimization and the introduction of new equipment, welding surface formation and stability have been significantly improved. Welding spatter has been reduced to 50 parts per million and the overall defective welding rate has been reduced to less than 3.4 parts per million, effectively ensuring our product reliability.

Battery Packs

A battery pack typically contains battery modules, battery management systems, connectors and cooling system. The following diagram illustrates the key production steps for our battery packs.



We apply the following technologies in our battery pack production process:

- Automated equipment to monitor the entire battery pack production process.

- MES system that tracks and processes approximately 2,700 data points to accurate monitoring of production process for better quality control.

- Data and intelligent calculations that further improve product safety and efficiency, optimizing the value of the battery throughout its life cycle.

Our ESS battery packs include ESS battery boxes, ESS battery racks and energy storage containers. The diagrams below set forth the production flow of our battery boxes, battery racks and energy storage containers:

Battery boxes:

Installation of liquid cooling plate → Module assembly → High-voltage connection → Pack offline test

Battery racks:

Battery pack and high-voltage box installation → Communication cable and high-voltage connection → Battery cluster sub-assembly offline

Energy storage containers:

Air conditioning system installation → Battery cluster assembly → BCU and control cabinet installation → Communication cable and high-voltage connection

Existing Production Facilities

Our production lines are designed to be compatible with the production of different battery products. Our designed annual production capacity reached 35.2GWh as of December 31, 2022. With some alterations, our EV battery production lines can be used for the manufacture of ESS battery products with similar specifications and vice versa. We have also been able to shorten the period we need to improve the production capacity utilization rate at a new production line since our inception.

The table below sets forth our effective production capacity and our production capacity utilization rates of our production lines (excluding production lines that are primarily used for R&D and the manufacturing of prototypes) by production commencement time.

	Year Ended December 31,		
	2020	**2021**	**2022**
Wenzhou Facilities			
Production lines commenced in January 2019			
Output (MWh)	1,455	1,901	2,172
Effective production capacity (MWh)[1]	2,281	2,281	2,281
Utilization rate (%)	***63.8%***	***83.4%***	***95.2%***
Production lines commenced in July 2020			
Output (MWh)	186	1,762	1,926
Effective production capacity (MWh)[1]	979	1,958	1,958
Utilization rate (%)	***19.0%***	***90.0%***	***98.3%***
Production lines commenced in January 2022			
Output (MWh)	–	–	7,602
Effective production capacity (MWh)[1]	–	–	10,316
Utilization rate (%)	**–**	**–**	***73.7%***
Production lines commenced in July 2022			
Output (MWh)	–	–	3,582
Effective production capacity (MWh)[1]	–	–	4,700
Utilization rate (%)	**–**	**–**	***76.2%***
Production lines commenced in September 2022			
Output (MWh)	–	–	408
Effective production capacity (MWh)[1]	–	–	818
Utilization rate (%)	**–**	**–**	***49.9%***
Subtotal			
Output (MWh)	**1,641**	**3,663**	**15,690**
Effective production capacity (MWh)[1]	**3,260**	**4,239**	**20,073**
Utilization rate (%)	***50.3%***	***86.4%***	***78.2%***
Jiashan Facilities			
Production lines commenced in May 2022			
Output (MWh)	–	–	2,198
Effective production capacity (MWh)[1]	–	–	3,733
Utilization rate (%)	**–**	**–**	***58.9%***
Production lines commenced in August 2022			
Output (MWh)	–	–	157
Effective production capacity (MWh)[1]	–	–	294.6
Utilization rate (%)	**–**	**–**	***53.3%***

	Year Ended December 31,		
	2020	2021	2022
Production lines commenced in November 2022			
Output (MWh)	–	–	23
Effective production capacity (MWh)(1)	–	–	283
Utilization rate (%)	–	–	*8.2%*
Production lines commenced in December 2022			
Output (MWh)	–	–	7
Effective production capacity (MWh)(1)	–	–	67
Utilization rate (%)	–	–	*9.8%*
Subtotal			
Output (MWh)	–	–	**2,385**
Effective production capacity (MWh)(1)	–	–	**4,378**
Utilization rate (%)	–	–	*54.5%*

Note:

(1) Effective production capacity is based on the production rate of machines operating 20 hours a day for 25 working days a month, considering time spent on production line upgrade or adjustment. Effective production capacity reflects the time of commencement of production for each production line.

Production Planning

We plan production based on customer demand. In general, our customers negotiate the prices and confirm the product specifications with us after the provision of an order forecast, showing the expected total volume of products they expect to order from us during the specified period covered by the forecast. These forecasts are good indications of our customer demands based on which we are able to secure and allocate our internal resources to plan for our production and manage our inventory level in accordance with these forecasts and to accommodate any downward or upward revisions that our customers may make.

Planned Production Facilities

We plan to establish four production facilities for our EV and ESS battery products. Among which, we plan to expand the production capacity for two of our production facilities. According to the F&S Report, with the development of electric vehicles and energy storage market, existing lithium-ion battery production capacity is expected to be insufficient to meet future demand. As a result, China's leading EV and ESS battery manufacturers are actively expanding their production capacity to keep up with the rapid increase in downstream demand. Since our inception, our production capacity has increased and will continue to expand. We expect that our annual production capacity will reach 77GWh by the end of 2023.

The table below sets forth the details of our key planned production facilities as of December 31, 2022:

Location	Total investment made	Total investment to be made	Designed annual production capacity (GWh)	Construction start time	(Estimated) time of production commencement	Status	Our ownership percentage
	(RMB in millions)	*(RMB in millions)*					
Foshan (including Phase I and Phase II)	282.3	8,177.7	30	2022.06	Second half of 2023	Infrastructure under construction	100.0%
Liuzhou	456.8	3,943.2	20	2022.10	Second half of 2023	Infrastructure under construction	51.0%[1]
Jiashan (including Phase I and Phase II)	2,923.0	2,677.0	32	2021.05	Phase I: First half of 2022 Phase II: First half of 2023	Phase I: partially in production Phase II: Infrastructure under construction	100.0%
Wenzhou (Facility III)	126.8	5,166.6	24	Second half of 2023	First half of 2024	Construction not yet started	100.0%
Total	**3,788.8**	**19,964.6**	**106**				

Note:

(1) In April 2022, we established two joint ventures at Guangxi, Liuzhou with a wholly-owned sub-subsidiary of SAIC Motor (上汽集團) to build two production facilities for EV battery cell and battery pack with designed annual production capacity of 20GWh each.

We choose the location of our production facilities carefully. For example, Foshan's proximity to our clients in Southern China allows for efficient customer maintenance while reducing logistics costs and improving delivery timeliness. The geographical advantage of the Pearl River Delta, where Foshan is located, is conducive to domestic and overseas customer acquisition. In addition, our planned production facility in Liuzhou is close to the production base of SAIC-GM-Wuling (上汽通用五菱) and have access to the Southeast Asian markets, including Indonesia, Vietnam and Thailand.

We have budgeted RMB23.8 billion for our expansion plan, including RMB3.8 billion spent as of December 31, 2022. We also plan to fund the remaining of these expansions with a mix of cash on hand, cash generated from operations, banking facilities and [**REDACTED**] from the [**REDACTED**]. See "Future Plans and Use of [**REDACTED**]."

Equipment and Machinery

We invest significantly in our production equipment and machinery as we believe the quality of our equipment and machinery is essential to increasing automation, ensure reliability as well as cost efficiency. The key equipment and machinery used in our production process include material feeding system, high-speed mixing system, automatic coating machine, roll divider, die divider, automatic winder, heat press, X-ray inspection machine, ultrasonic welder, transfer sheet welder, wrapping machine, shelling machine, sealing welder, front helium inspection machine, drying line, liquid injection machine, chemical composition line and blue film wrapping machine.

We were able to achieve innovation in production technique and equipment through our high-speed coating equipment, high-speed assembly line, ultrahigh-pressure and high speed liquid injection machine, fast-baking machine, ultrahigh-speed stacker and ultrahigh-speed mixer, among others.

- We achieve a significant increase in coating heating efficiency through a new heat transfer structure of heat-conducting oil. With the support of artificial intelligence detection system, we achieve ultra-high precision detection and wet film coating position prediction, while achieving high precision coating requirements under high speed coating conditions through online closed-loop control, providing full guarantee for single line larger scale capacity requirements and product consistency requirements.

- We have adopted a fully automatic core assembly line. Through design optimization of key equipment and innovation of the automation mechanism of the entire line, we achieved significant increase in the efficiency of the assembly line. We also jointly developed equipment with the leading equipment manufacturers in the industry, which provides more reliable control for the stable operation of our high-speed line in mass production.

- We have jointly developed a new ultrahigh-pressure high speed liquid injection machine to meet the higher production capacity of single production lines. It has now achieved mass production. The ultra-high pressure high speed liquid injection machine ensures higher efficiency of electrolyte injection inside the battery cell and is effective in improving the stability of the battery's long cycle performance.

- We developed the fast-baking machine to solve the problems of high cost and high power consumption of traditional baking machines. It effectively reduces drying time and increases baking efficiency. The temperature of baking machine's heating plate can be automatically detected and fed back, achieving precision in temperature control.

- The ultrahigh-speed stacker adopts an innovative stacking mechanism that greatly improves the stacking speed, while ensuring the accuracy of the production process.

- The mixing efficiency of ultrahigh-speed mixer is much higher than that of the traditional mixer. The floor space and height of the mixer are significantly reduced, which reduces the size and height requirements of the mixing plant. The ultrahigh-speed mixer significantly improves the quality of the battery cells, and increases the efficiency and safety of battery modules.

Many of the machines we use only require limited human operation, allowing us to reduce labor costs and focus our production facilities staffing on maintenance and supervisory functions. We purchase the majority of the key production equipment and machinery used in the production process domestically. We purchase and own all of our production equipment and machinery. The estimated service life of our main production equipment are 120 months, and the remaining service life of our main production equipment are 84~120 months.

The following table describes our main production equipment as of December 31, 2022:

Name of the equipment	Usage and characteristics of the equipment	Country of origin
Material feeding system	Feed the raw materials in accordance with prescribed proportions.	China
High-speed mixing system	Mixing raw materials into slurry.	China
Automatic coating machine	Coating the slurry on the current collector evenly.	China/Japan
Roll divider	The coated coil is pressed to a set thickness, and then divided into different strips of the coil.	China
Die divider	Cut the edges of the coil into pole lugs and slit the coil.	China/Germany
Automatic winder	Winding positive and negative coil and diaphragm into a core.	China
Heat press	Apply pressure and heat to the core to hold it in place.	China
X-ray inspection machine	Detection of structural alignment within the core.	China
Ultrasonic welder	Ultrasonic welding of pole lugs.	China
Transfer sheet welder	Solder adapter tabs.	China/Germany
Wrapping machine	Wrap the core with insulating film and put it into the shell.	China

Name of the equipment	Usage and characteristics of the equipment	Country of origin
Sealing welder	Welding of housing and top cover.	China/Germany
Front helium inspection machine	Testing for air tightness.	China
Drying line	Baking to remove water.	China
Liquid injection machine	Injection of electrolyte solutions into the battery cell.	China
Chemical composition line	Charging and discharging of battery cells.	China
Blue film wrapping machine	Insulating blue film for battery wrapping.	China

Our major production equipment and machinery have an estimated average useful lives of 10 years and are depreciated at an average annual rate of 9.5%. Depreciation is calculated on a straight-line basis over its estimated useful life. The remaining useful life of such equipment and machinery is approximately 9.0 years on average. We regularly inspect and maintain our production equipment and machinery, as well as replace consumable parts and components subject to their wear and tear conditions.

QUALITY CONTROL

Our Quality Control Department

Our commitment to high quality and reliability helps strengthen the recognition and trust among our customers. We have established a quality management system that complies with relevant national and international standards, covering the raw material supply chain and product manufacturing. We implement various assessment criteria on raw material suppliers regarding their supplies quality, timeliness of delivery, responsiveness to our service requests and ESG matters. We strictly implement product safety and quality control standards and take corresponding control measures throughout our entire production process, in order to ensure that all of our products meet the relevant national and international safety standards. As of December 31, 2022, we had more than 750 employees responsible for quality management. Dr. Jianyong Liu, our quality control director, holds a Ph.D. degree in physics from the Chinese Academy of Sciences and has 15 years of research and work experience.

During the Track Record Period and up to the Latest Practicable Date, we did not receive (i) any fines, product recall orders or other penalties from the relevant competent authorities regarding material product quality issues, (ii) any material product returns from our customers, or (iii) any material complaints from consumers.

Our Quality Accreditations

We have obtained various certification including:

- The IATF16949 certification certified by Shanghai NQA Certification Co., Ltd.;
- ISO9001 certified by the China Association for Quality;
- Audit certification (VDA standard, ASES standard, QIP standard) designated by various international vehicle customers; and
- ISO/IEC17025 accredited by the China National Accreditation Service for Conformity Assessment CNAS,

Our products have also obtained:

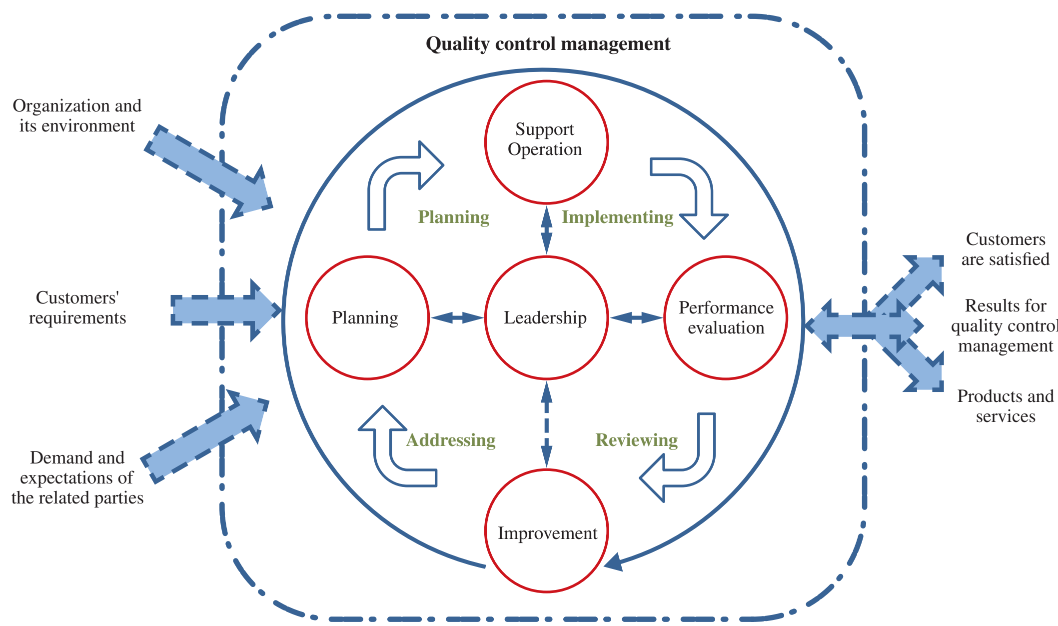
- China's mandatory inspection certification (GB 38031-2020, GB 38032-2020, GB/T 31484-2015, GB/T 31485-2015, GB/T 31486-2015), energy storage type inspection, GB/T 36276-2018, classification society certification GD22-2019; and
- International certification: UN38.3 certification, ROHS certification, hazardous characteristics classification certification, cargo transportation appraisal report (sea, land, air); EU TÜV certification IEC62619, battery directive, REACH certification; North America UL certification (UL1642, UL1973, UL2580, UL9540A); Japan JET certification, Japan JIS C 8715-2:2019; India BIS certification BIS16046 20018.

Our Quality Assurance Program

We are committed to providing customers with high-quality and reliable products, while striving to continuously improving customer satisfaction, enhancing the core competitiveness of our Company, creating and sharing quality value with high-quality products and services so as to earn the respect from our employees, customers, suppliers and other stakeholders.

We have managed our suppliers and the procurement process on the basis of a series of supplier management internal control systems formulated by us. Such supplier management policies define the social responsibility requirements for our suppliers from the aspects of business ethics, labor standards, occupational health and safety, environmental management, trade safety, anti-corruption and anti-commercial bribery. We have promoted our corporate social responsibility requirements and our high attention to corporate social responsibility to all suppliers through various ways. See "Business – Raw Materials, Components and Suppliers – Our Suppliers" for details on our processes and criteria for assessing our raw material suppliers.

We have established our product safety and quality management system to implement the safety review, precise monitoring and early warning in all aspects of our new product projects commencing from design to mass production and user consumption. For example, we employ the MES and ERP systems. Through intelligent processing of data, analysis and mining technology for sales, production, procurement and finance, the MES system enables us to achieve more efficient decision-making and more effective management. The ERP system is applied during the production process to exchange data with equipment, record the manufacturing process data of products in the database, trace data from production planning to shipment, and control production quality. Through integration with the ERP system, the MES system provides production data analysis for management decision-making. Our full life cycle quality control system for our products from design to after-sales is in line with international standards and customer requirements. The flow chart of specific quality system is as follows:



In addition, we strive to build a high-quality, efficient and environmentally friendly customer service system. Our achievements in quality control include the following:

- We have obtained the IATF16949 certification certified by Shanghai NQA Certification Co., Ltd. and have a sound quality management organization structure and management process. We adopt the "customer-centered" concept to ensure that relevant laws and regulations as well as customer requirements are met. We enhance customer trust by making continuous improvements to the quality of our products, thus enabling us to achieve long-term development.

- We employ MES and ERP systems in the quality control process. We monitor product characteristics of key manufacturing processes through the linkage of the systems and related visual inspections, double-frame X-ray surface density measuring instruments and X-Ray inspection equipment. We also achieve SPC statistical analysis and prediction of the quality of the production process by utilizing the MES system together with the fault detection criteria of SPC.

- When the product is detected as abnormal, the MES system can achieve multi-dimensional information traceability of people, machines, materials, methods and measurements to quickly track the risk range of materials and provide accurate and complete product information support so as to achieve rapid response.

RAW MATERIALS, COMPONENTS AND SUPPLIERS

Raw Materials, Components and Supply Agreements

The key raw materials for our battery products are:

- cathode materials, primarily including LFP, lithium NCM and aluminum foil;
- anode materials, primarily including graphite and copper foil;
- separators; and
- electrolyte solutions.

In 2020, 2021 and 2022, cost of raw materials amounted to RMB537.1 million, RMB1,662.0 million and RMB10,835.8 million, respectively, accounting for 67.5%, 68.3% and 79.9% of our cost of sales for the same period. We primarily source raw materials from reputable domestic and international suppliers.

We have experienced fluctuations in the cost of our raw materials during the Track Record Period. In particular, the cost of lithium carbonate, a key raw material for LFP cathode have experienced considerable fluctuations during the Track Record Period. According to the F&S Report, in 2020, 2021 and 2022, the average price for lithium carbonate was RMB47,100 per ton, RMB131,100 per ton and RMB496,100 per ton, respectively. Such price increase was primarily due to a shortage in the supplies of lithium carbonate since the last quarter of 2020 resulting from the rising demand of lithium battery products. Such fluctuation resulted in fluctuation in the cost of LFP cathodes during the Track Record Period. In 2020, 2021 and 2022, the material cost of LFP cathode amounted to RMB191.4 million, RMB661.4 million and RMB6,498.9 million, accounting for 24.0%, 27.2% and 47.9% of our cost of sales, respectively. The price of other raw materials such as copper foil and electrolyte solutions also experienced price fluctuation, though to a lesser extent, during the Track Record Period, primarily due to the rapid increase of demand and the short supply of raw materials. See "Financial Information – Significant Factors Affecting Our Results of Operations – Fluctuation in Prices of Raw Materials" for an analysis of the effect of price fluctuations in raw materials on our gross profit/loss during the Track Record Period. During the same period, we did not engage in hedging activities against the fluctuation in raw material prices.

To ensure the stable supplies of key raw materials, we may engage in strategic cooperation with major suppliers of raw materials to lock the quantity and/or price of our key raw materials in advance. For example, we purchased LFP, one of our key raw materials, from our suppliers pursuant to long-term framework agreements at a benchmark price by referring to the then prevailing market prices. We have also entered into long-term agreements with our suppliers to purchase other raw materials including electrolyte solutions, graphite, lithium carbonate, copper foil and carbon-coated aluminum foil.

The major terms of the long-term framework agreements we enter into with our suppliers generally include the following:

Purchase order	We shall notify the suppliers of the type, specification, unit price, quantity and date of delivery of the raw materials we need in writing.
Price	Depending on the type of raw material and supplier, prices are either fixed in the long-term framework agreements, or determined/adjusted taking into account the then prevailing market price when placing orders.
Inspection and product returns	Product inspection shall take place within a specified period after delivery of the raw materials to us. We shall be entitled to return to the suppliers the defective raw materials that do not meet the agreed quality standard, and the suppliers shall remedy the same, including product return and replacement.
Credit terms and payment method	The credit period and payment method shall be in accordance with the purchase order. We are typically offered a credit term of 30-90 days.
Confidentiality	We usually set confidentiality clauses in the framework agreements, and the period of confidentiality obligations may be extended to after the expiration of the agreements.

We entered into long-term off-take agreements with our raw material suppliers. In particular:

- In 2022, we secured LFP through off-take agreements with certain raw material suppliers. The total minimum purchase commitment under these agreements was approximately 22,800 tons, representing approximately 55.7% of our LFP procurement in 2022. The purchase prices were subject to the periodic review and adjustments based on prevailing market prices and/or the price mutually agreed of certain feedstock materials involved. As of the Latest Practicable Date, we did not have any outstanding minimum purchase commitment for LFP under off-take agreements, and all off-take agreements for supplies of LFP were expired or terminated.

- We also entered into off-take agreements for PVDF. In 2021 and 2022, the purchase amount of PVDF under the off-take agreement was approximately 10 tons and 31 tons, accounting for approximately 7.9% and 3.4% of the total PVDF purchased during the year, respectively. The average purchase prices under the off-take agreements were generally in line with the prevailing market price in 2021 and were relatively lower than the prevailing market price in 2022 due to the Company's increased bargaining power and the strategic relationship with the supplier. The purchase prices of PVDF under the off-take agreement are subject to monthly review and adjustments, which will increase or decrease based on a fixed formula that links to the prevailing market price of a key raw material. If we are unable to purchase PVDF at the required amounts, we may be required to pay liquidated damages of 1% of the total value of the order to suppliers, and if we are unable to do so for two consecutive months, the liquidated damages will increase to 30% of the total value of the order, and the suppliers will have the right to terminate the agreement unilaterally; likewise, if the suppliers are unable to supply PVDF at the required amounts to us, such supplier may be required to pay liquidated damages to us. As of the Latest Practicable Date, we did not have any outstanding minimum purchase commitment for PVDF under the off-take agreement, and the off-take agreement for supplies of PVDF was terminated as mutually agreed. No dispute was raised by the Company or the PVDF supplier under the off-take agreement during the Track Record Period and up to the Latest Practicable Date.

- In addition, during the Track Record Period, we entered into three off-take agreements for electrolyte solutions, the price of which was calculated based on the prices of several raw materials used to produce electrolyte solutions. Among those raw materials, the price of one key raw material, lithium hexafluorophosphate, under each of those three off-take agreements was locked at a price mutually agreed by both parties. The prevailing market price of was one of the factors that the Company and suppliers of electrolyte solutions considered when fixing the price for lithium hexafluorophosphate, while other factors such as the amount of prepayment the Company offered and the prospects of long-term cooperation also played important roles. As the results of the strong pricing power of the Group, the prices for lithium hexafluorophosphate were fixed at a level lower than the then prevailing market price. The price of other raw materials were determined based on the prevailing market price for each order placed under those agreements. In 2021 and 2022, the purchase amount of electrolyte solutions under the off-take agreement was approximately 2,067 tons and 10,257 tons, accounting for approximately 28.1% and 51.8% of the total electrolyte solutions purchased during the year, respectively. Under such agreements, we may be subject to the adverse impact of purchasing raw materials at prices that are higher than the market prices, which in return may adversely affect our results of operations. As of the Latest Practicable Date, all three off-take agreements have expired. During the Track Record Period and up to the Latest Practicable Date, we did not have any dispute with suppliers in relation to the execution of those off-take agreements.

The off-take agreements ensure the sufficient and stable supply of raw materials for our production needs. However, entering into long-term off-take agreements may lead to us having to purchase raw materials that may exceed our actual production needs, and temporarily restrain our liquidity if we are not able to fully utilize our production capacity. It may also result in overstock of raw materials for certain periods and cause more impairment losses of our inventories due to inventory obsolescence. See "Risk Factors – We may be required to purchase certain amounts of raw materials under the long-term off-take agreements entered into with some of our raw material suppliers, which may exceed our production needs." As of the Latest Practicable Date, (i) we did not have any off-take agreement in effect and (ii) we did not enter into any new off-take agreements. Going forward, we may enter into new off-take agreements based on our prudent estimate of production needs and prices of relevant raw materials.

In addition to satisfying our production needs, we purchase feedstock materials, primarily lithium carbonate, and sell them to our suppliers as a way to help our suppliers source feedstock materials for battery products including LFP and electrolyte solutions, which was an industry norm, according to the F&S Report. In 2020, 2021 and 2022, the number of suppliers under the foregoing arrangement was nil, two and four, respectively. There was no past or present relationship between those suppliers and the Group, its Shareholders, Directors, senior management and/or their respective associate. We increased the sales of feedstock materials in 2021 in view of the raw materials shortage in the market. We plan to further source feedstock materials such as lithium carbonate for our suppliers so that we could ensure the timely and sufficient supply of our raw materials.

We entered into a materials purchasing framework agreement ("**Materials Purchasing Framework Agreement**") with Yongqing Technology, pursuant to which, Yongqing Technology and its associates have agreed to sell, and we have agreed to purchase raw materials (including lithium compounds, ternary precursors, separators and graphite). The historical transaction amounts in respect of the raw materials purchased by us from Yongqing Technology and its associates were RMB16.2 million, RMB212.2 million and RMB61.0 million for the years ended December 31, 2020, 2021, and 2022, respectively. See "Connected Transactions – Non-exempt Continuing Connected Transactions – Materials Purchasing Framework Agreement" for details of our purchase of raw materials from Yongqing Technology during the Track Record Period.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any breach of agreements by suppliers that resulted in suspension or interruption of our production operations.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any significant shortage of raw material supplies, and the raw materials provided by our suppliers did not have any significant quality issues.

Our Suppliers

Our suppliers are primarily raw material providers. We carefully select our suppliers and require them to satisfy various assessment criteria. We only procure raw materials from the suppliers listed on our qualified supplier catalog. All potential suppliers must pass our internal supplier admission standard before entering into our qualified supplier catalog. We consider several factors in the selection of suppliers, including but not limited to the potential supplier's material performance, supplies quality, prices offered, years of operation and quality control accreditations. Potential key raw materials suppliers are subject to onsite inspection conducted by us in order to evaluate their production processes, quality-control, and ESG related performance indicator including carbon emission and pollution management. We also carry out regular on-site audits and audits of qualified suppliers each year.

In each of 2020, 2021 and 2022, purchases from our largest supplier for the respective period accounted for 9.7%, 8.4% and 9.1% of our total amount of purchase during the respective period, while our five largest suppliers for the respective period accounted for 36.8%, 33.2% and 30.3% of our total amount of purchase during the respective period. We believe that we have a good cooperation relationship with our key suppliers.

The tables below set forth the details for each our five largest suppliers during the Track Record Period.

For the Year Ended December 31, 2020

Supplier	Amount of Purchase	Percentage to Total Purchase	Business Profile	Registered Capital	Place of Registration	Products Sold to Us	Years of Business Relationship	Credit Terms	Payment Method
	(RMB'000)	*(%)*							
Supplier B (Qinghai Taifeng Pulead Lithium-Energy Technology Co., Ltd.)	68,836	9.7	Manufacturing and sales of cathode materials and other lithium battery raw materials	RMB742.22 million	Qinghai	Cathode materials	4	100% prepaid/ 30 days against monthly clearing	Bank acceptance
Supplier F (BTR New Material Group Co., Ltd.)	61,710	8.7	Manufacturing and sales of cathode materials, anode materials and other lithium battery raw materials	RMB485.39 million	Guangdong	Graphite	4	60 days against monthly clearing	Bank acceptance
Supplier E (Shenzhen Londian Wason Technologies Co., Ltd.)	47,590	6.7	Manufacturing and sales of lithium battery precision structural parts and automobile structural parts	RMB200.00 million	Guangdong	Copper foil	3	30 days against monthly clearing	Bank acceptance
Supplier G (Hunan Zhongke Shinzoom Co., Ltd.)	41,507	5.9	Manufacturing and sales of anode materials and other lithium battery raw materials	RMB155.39 million	Hunan	Graphite	2	60 days against monthly clearing	Bank acceptance
Supplier D (Shenzhen Kedali Industry Co., Ltd.)	40,903	5.8	Manufacturing and sales of lithium battery precision structural components and automobile structural components	RMB232.92 million	Guangdong	Structural components	3	90 days against monthly clearing	Bank acceptance
Total	**260,547**	**36.8**							

For the Year Ended December 31, 2021

Supplier	Amount of Purchase	Percentage to Total Purchase	Business Profile	Registered Capital	Place of Registration	Products Sold to Us	Years of Business Relationship	Credit Terms	Payment Method
	(RMB'000)	*(%)*							
Tsingshan Group	212,234	8.4	World's leading nickel and stainless steel producer who has strategically expanded along the lithium-ion battery value chain	RMB2,800.00 million	Zhejiang	Graphite, PVDF, copper foil among others	3	30 days against monthly clearing	Bank transfer
Supplier H (Jiujiang Tinci Materials Technology Co., Ltd.)	166,805	6.6	Manufacturing and sales of electrolyte and other lithium battery raw materials	RMB418.00 million	Jiangxi	Electrolytes	4	30 days against monthly clearing	Bank acceptance
Supplier I (Changzhou Liyuan New Energy Technology Co., Ltd.)	157,819	6.2	Manufacturing and sales of cathode materials and other lithium battery raw materials	RMB720.74 million	Jiangsu	Cathode materials	1	30 days against monthly clearing	Bank acceptance
Supplier B (Qinghai Taifeng Pulead Lithium-Energy Technology Co., Ltd.)	155,257	6.1	Manufacturing and sales of cathode materials and other lithium battery raw materials	RMB742.22 million	Qinghai	Cathode materials	4	100% prepaid/ 30 days against monthly clearing	Bank acceptance
Supplier J (Shenyang East Chemical Science-tech Co., Ltd.)	149,700	5.9	Manufacturing and sales of lithium battery raw materials	RMB10.00 million	Liaoning	NMP, CNT	4	60 days against monthly clearing	Bank acceptance
Total	**841,815**	**33.2**							

For the Year Ended December 31, 2022

Supplier	Amount of Purchase	Percentage to Total Purchase	Business Profile	Registered Capital	Place of Registration	Products Sold to Us	Years of Business Relationship	Credit Terms	Payment Method
	(RMB'000)	*(%)*							
Supplier I (Changzhou Liyuan New Energy Technology Co., Ltd.)	1,965,075	13.3	Manufacturing and sales of cathode materials and other lithium battery raw materials	RMB720.74 million	Jiangsu	Cathode materials	1	30 days against monthly clearing	Bank acceptance
Supplier L	1,747,649	11.8	Manufacturing and sales of cathode materials and other lithium battery raw materials	RMB89.23 million	Guangdong	Cathode materials	4	30 days against monthly clearing	Bank acceptance
Supplier B (Qinghai Taifeng Pulead Lithium-Energy Technology Co., Ltd.)	1,180,802	8.0	Manufacturing and sales of cathode materials and other lithium battery raw materials	RMB742.22 million	Qinghai	Cathode materials	4	30 days against monthly clearing	Bank acceptance
Supplier H (Jiujiang Tinci Materials Technology Co., Ltd.)	829,570	5.6	Manufacturing and sales of electrolyte and other lithium battery raw materials	RMB455.00 million	Jiangxi	Electrolytes	4	30 days against monthly clearing	Bank acceptance
Supplier K (Chengxin Lithium Group Co., Ltd.)	827,066	5.6	Mining and processing of lithium compounds	RMB865.34 million	Sichuan	Lithium carbonate	1	Payable by 10th of the following month	Bank acceptance
Total	**6,550,162**	**44.3**							

Save as disclosed above, none of our Directors or their respective associates or any Shareholder holding more than 5% of our issued share capital held any interest in any of our five largest suppliers during the Track Record Period.

MARKETING, SALES AND CUSTOMERS

Our Customers

The customers of our EV battery products are primarily EV manufacturers and EV battery pack manufacturers, and our EV battery products are used in passenger vehicles, commercial vehicles, specialized vehicles and construction machinery such as forklift trucks, unmanned sweepers, low speed vehicles and construction vehicles. Customers of our ESS battery products are primarily household ESS integrators, photovoltaic inverter manufacturers and system integrators, who assemble their products and sell to domestic and overseas end users. Customers for our ESS battery products also include EPC firms. For further information on our major ESS customers, see "Business – Overview – Our Products and Customers." The duration of the framework sales agreements with our major ESS customers is generally one year. We also have individual purchase orders from other ESS customers. As of the Latest Practicable Date, the requested quantity from our customers as set out in the executed sales framework agreements of our ESS products amounted to 42.9GWh.

In each of 2020, 2021 and 2022, sales to our largest customer for the respective period accounted for 38.6%, 24.5% and 11.7% of our revenue during the respective period, while our five largest customers for the respective periods accounted for 69.7%, 51.0% and 38.2% of our revenue during the respective period.

The tables below set forth the details for each our five largest customers during the Track Record Period.

For the Year Ended December 31, 2020

Customer	Revenue Contribution	Percentage to Total Revenue	Business Profile	Registered Capital	Place of Registration	Products Purchased from Us	Years of Business Relationship	Credit Terms	Payment Method
	(RMB'000)	*(%)*							
Customer E (Suzhou KeyPower Technologies Co., Ltd.)	350,396	38.6	Manufacturing and sales of EV battery packs	RMB50.00 million	Jiangsu	EV battery products	3	90 days against monthly clearing	Bank acceptance
Customer F	75,458	8.3	R&D, manufacturing and sales of EVs	RMB6,000.00 million	Shanghai	EV battery products	2	45 days against monthly clearing	Bank acceptance, Bank transfer
Customer G (Zhejiang E-P Equipment Co., Ltd.)	73,060	8.1	Electric storage equipment, intelligent handling robots and forklift development, manufacturing and services	RMB340.00 million	Zhejiang	Battery products for special vehicles	3	Installment payment according to the contract	Bank acceptance, Bank transfer
Customer C	71,204	7.9	Manufacturing and sales of auto parts	USD25.00 million	Anhui	EV battery products	3	Installment payment according to the contract	Bank transfer
Customer H	61,720	6.8	Manufacturing and sales of ESS and energy storage solutions	RMB330.00 million	Jiangsu	ESS and EV battery products	3	Installment payment according to the contract	Bank transfer
Total	**631,839**	**69.7**							

For the Year Ended December 31, 2021

Customer	Revenue Contribution	Percentage to Total Revenue	Business Profile	Registered Capital	Place of Registration	Products Purchased from Us	Years of Business Relationship	Credit Terms	Payment Method
	(RMB'000)	*(%)*							
Customer E (Suzhou KeyPower Technologies Co., Ltd.)	516,354	24.5	Manufacturing and sales of EV battery packs	RMB50.00 million	Jiangsu	EV battery products	3	90 days against monthly clearing	Bank acceptance
Customer I	154,794	7.3	Manufacturing and sales of lithium battery raw materials	RMB10.00 million	Liaoning	Waste sales	5	60 days against monthly clearing	Bank acceptance
Customer D (SolaX Power Network Technology (Zhejiang) Co., Ltd.)	142,926	6.8	Manufacturing and sales of ESS and energy storage solutions	RMB120.00 million	Zhejiang	ESS battery cells and ESS battery modules	3	60 days against monthly clearing	Bank transfer
Customer J[(1)] (Foxess Co., Ltd.)	136,413	6.5	Manufacturing and sales of ESS and providing energy storage solutions	RMB50.00 million	Zhejiang	ESS battery cells and ESS battery modules	3	30 days against monthly clearing	Bank acceptance
Customer G (Zhejiang E-P Equipment Co., Ltd.)	125,414	5.9	Electric storage equipment, intelligent handling robots and forklift development, manufacturing and services	RMB340.00 million	Zhejiang	Battery products for special vehicles	3	Installment payment according to the contract	Bank acceptance, Bank transfer
Total	**1,075,901**	**51.0**							

Note:

(1) Foxess Co., Ltd. is an associate of Yongqing Technology, which is a Controlling Shareholder of the Company. We sell ESS battery cells and ESS battery modules to Foxess Co., Ltd.. In 2020, 2021 and 2022, revenue from Foxess Co., Ltd. were RMB11.4 million, RMB136.4 million and RMB656.5 million, respectively. For the same periods, the percentage of costs relating to sales to Foxess Co., Ltd. were 1.3%, 6.5% and 4.5% of our total costs of sales, respectively.

For the Year Ended December 31, 2022

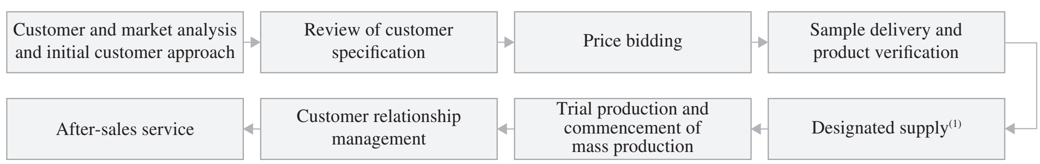
Customer	Revenue Contribution	Percentage to Total Revenue	Business Profile	Registered Capital	Place of Registration	Products Purchased from Us	Years of Business Relationship	Credit Terms	Payment Method
	(RMB'000)	*(%)*							
Customer K	1,708,342	11.7	Manufacturing and sales of ESS and providing energy storage solutions	RMB511.54 million	Anhui	ESS battery products	2	Installment payment according to the contract	Bank acceptance
Customer E (Suzhou KeyPower Technologies Co., Ltd.)	1,204,656	8.2	Manufacturing and sales of EV battery packs	RMB50.00 million	Jiangsu	EV battery products	3	90 days against monthly clearing	Bank acceptance
Customer L	1,161,621	7.9	R&D, manufacturing and sales of EVs	RMB1,011.89 million	Zhejiang	EV battery products	1	45 days against monthly clearing	Bank acceptance
Tsingshan Group	861,478	5.9	World's leading nickel and stainless steel producer who has strategically expanded along the lithium-ion battery value chain	RMB2,800.00 million	Zhejiang	EV battery products	5	Installment payment according to the contract	Bank transfer
Customer J (Foxess Co., Ltd.)	656,481	4.5	Manufacturing and sales of ESS and providing energy storage solutions	RMB57.62 million	Zhejiang	ESS battery cells and ESS battery modules	3	30 days against monthly clearing	Bank acceptance
Total	**5,592,577**	**38.2**							

Save as disclosed above, none of our Directors or their respective associates or any Shareholder holding more than 5% of our issued share capital held any interest in any of our five largest customers during the Track Record Period.

Sales and Marketing

Our products are sold under the brands of REPT and BatteroTech. As of December 31, 2022, we had 114 employees in sales and marketing, focusing on business development, customer service, brand promotion and sales contract management. We have designated sales teams covering passenger vehicle customers, commercial vehicle customers and ESS battery products customers. For leading market players, we have specific sales force working on their profile and requests. Our sales and marketing teams also seek to expand our customer base through presenting our strength and showcasing our products at industry conventions and forums.

The flowchart below illustrates our typical customer acquisition and sales process:



Note:

(1) Designated supply is where the customer shall be bound to purchase the agreed amount of products specified in the procurement agreements.

Pricing

We price our products based on various factors including raw material costs, production overheads, order volumes, delivery requirements, warranty offered, competitors' pricings, prevailing market conditions, payment methods and specification of products requested by customers. Specifically:

- In general, we align our pricing with the fluctuations in the pricing and the actual supply of raw materials so as to ensure the overall stability of our profitability. We have primarily two ways to achieve this.

  (a) *Price adjustment mechanism for framework sales agreements*. In response to raw material price increase, in November 2021, with major customers that entered into fixed price framework sales agreement with us, we started to adjust our pricing by entering into supplemental agreements with them. In the second quarter of 2022, we started to introduce price adjustment mechanism into our contracts with customers in response to fluctuations in raw material prices. In particular, we actively adjust the sales price of our products after taking into consideration of the fluctuation of certain raw material prices (typically lithium carbonate). For example, the selling prices of our battery products will change by a pre-determined amount in response to the per unit increase or decrease in the market prices of lithium carbonate in the specified period. We typically review our pricing on a monthly or quarterly basis. Including price adjustment mechanisms similar to ours into the contracts with lithium-ion battery customers is an industry norm, according to the F&S Report. As of the Latest Practicable Date, sales agreements for 0.15GWh ESS battery products remained to be subject to fixed pricing arrangement without flexibility to reflect raw material price fluctuation, which was equivalent to approximately 0.9% of our total sales volume of battery products in 2022. As of the same date, we did not enter into any new framework sales agreement without price adjustment mechanism.

(b) *Individual orders*. For customers who place individual orders with us from time to time, the prices are negotiated each time when the order is placed, taking into consideration of the prevailing market prices of the key raw materials.

- In certain circumstances, including for attracting new customers, entering new markets or strategic projects, we match the pricing of the leading enterprises in the industry and the pricing of our direct competitors.

During the Track Record Period, the pricing of our products fluctuated significantly due to the change in the price of raw materials. We closely monitor the price fluctuations in our raw material purchases and review the pricing of our products when necessary. We conduct review on the pricing of our products on a regular basis to capture the fluctuation of prices in the market. In particular, we inspect the price trend of key raw materials from time to time to grasp the current and future purchase price, and to identify the potential discrepancies between supply and demand in the industry. For a detailed analysis of average selling prices during the Track Record Period, see "Financial Information – Principal Components of Statement of Profit or Loss and Other Comprehensive Income – Revenue – Sales Volume and Average Selling Price."

The impact of the price fluctuations in raw materials is mainly reflected on our gross profit margin. Cost of raw materials account for a substantial majority of our battery products production costs, the remaining of which are manufacturing costs and direct labor costs. We have adopted measures such as control of logistics expenses, package recycling and other measures to reduce costs.

Sales Agreements

We typically enter into framework sales agreements with our major customers, under which our customers will enter into individual purchase orders with us. Our framework sales agreements typically contain the following terms:

Specification	Since our business involves the development of products and technologies for customers, we usually set relevant technical parameters in the sales contract. Those parameters specify certain characteristics of the products to be delivered.
Price	We specify the price of each product and service provided to customers in the framework sales agreement, including unit price and total price. We also have price adjustment mechanism that gives us more flexibility in pricing.
Payment term	We grant credit period to our customers according to their credit profile and historical performance. We typically grant credit terms of one to three months to eligible customers.
Delivery term	We bear the costs and risks in the delivery process.
Duration, termination and renewal	The term of the agreement generally ranges from one year to three years and may vary on a case-by-case basis. The renewal of framework agreements are negotiated on a case-by-case basis.
Minimum purchase requirement	We may specify a minimum purchase requirement in the framework sales agreements. To the extent that the framework sales agreements do not specify a minimum purchase requirement, the exact purchase amount may be specified when each of the individual sales orders under the framework sales agreements are placed.

Warranty period	For EV battery products, we usually provide our customers with a warranty of eight years or 120,000 kilometres for private passenger vehicles, and five years or 200,000 kilometres for commercial passenger vehicles; for ESS battery products, the warranty period varies on clients' needs. We usually provide our customers with a warranty period of one to five years for ESS battery cells, and the warranty period for ESS battery module and systems are generally longer. The warranty period is deemed to have expired if any of the warranty conditions are met.
Confidentiality	We usually set confidentiality clauses in the framework sales contracts with customers, and the period of confidentiality obligations may be extended to after the expiration of the sales contract.

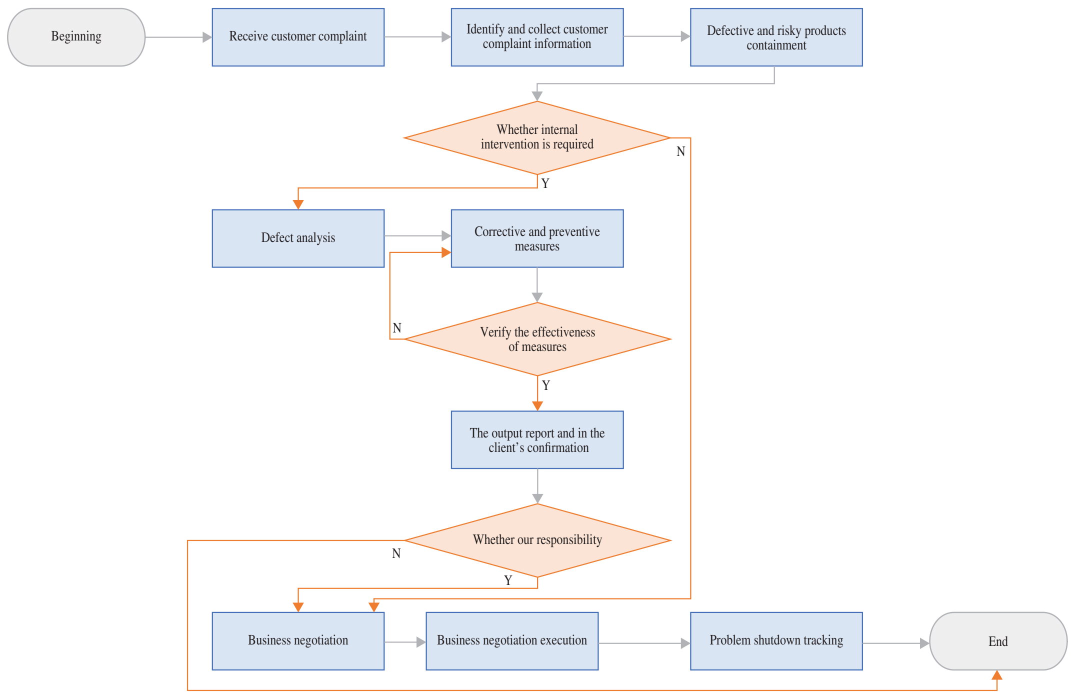
Customer Service

We believe that timely and quality after-sale services are one of the important competitive factors, as they are directly related to customer satisfaction and help in shaping the customer's purchase decisions. We have adopted a Disposing Customer Complaint and Return Procedure to effectively handle customer complaints and returned products. Our achievements in customer service include the following:

- Our high coverage ratio of customer service outlets enables us to respond to customer complaints in a timely manner. In addition to leveraging our own customer service outlets, we entered into strategic cooperation with an auto service provider to provide customer services. We plan to leverage on their network resources to set up as many as 50 after-sales service outlets, with 15 regional technical experts serving our customers nationwide.

- We have a rapid response mechanism. We require after-sale customer requests to be responded within two hours, eight hours, one business day and two business days for local, same province, inter-province, and domestic long-distance customer requests, respectively. In addition, we assign technical staff to provide guidance on-site so as to provide accurate feedback to abnormal performances of our products.

The chart below sets forth our after-sales customer complaints handling procedure:



During the Track Record Period and as of the Latest Practicable Date, we have not received any material customer complaints.

Overlapping Customer and Suppliers

During the Track Record Period, to the best knowledge and belief of our Directors, we had three major suppliers who are also our customers.

- Tsingshan Group is a Controlling Shareholder and related party of the Company. Tsingshan Group is our major supplier and also our major customer. We purchased electrolytes, PVDF and copper foil from Tsingshan Group as it has an extensive cooperation network and good relationships with upstream battery materials producers. We sold ESS battery products to Tsingshan Group for their large-scale standalone frequency adjustment ESS projects in Indonesia. In 2020, 2021 and 2022, revenue from Tsingshan Group accounted for 0.1%, 0.7% and 5.9% of our total revenue, respectively. During the same period, the percentage of costs relating to sales to Tsingshan Group amounted to 0.2%, 0.4% and 5.0% of our total costs of sales, respectively.

- Jiujiang Tinci Materials Technology Co., Ltd. is our major supplier and also our customer. In addition to purchasing raw materials from Jiujiang Tinci Material Technology Co., Ltd., we also sold wastes to them. In each of 2020, 2021 and 2022, revenue from Jiujiang Tinci Materials Technology Co., Ltd. accounted for less than 1% of our total revenue. For each of 2020, 2021 and 2022, the percentage of costs relating to sales to Jiujiang Tinci Materials Technology Co., Ltd. were less than 1% of our total costs of sales.

- Shenyang East Chemical Science-tech Co., Ltd. is our major supplier and also our customer. We purchased electronic grade high concentration NMP to use as solvent in the production process from Shenyang East Chemical Science-tech Co., Ltd. and sold back the low concentration crude NMP to Shenyang East Chemical Science-tech Co., Ltd. after completing the production of our battery products to optimize the utilization of NMP. In 2020, 2021 and 2022, revenue from Shenyang East Chemical Science-tech Co., Ltd. accounted for 3.2%, 7.3% and 0.8% of our total revenue, respectively. During the same periods, the percentage of costs relating to sales to Shenyang East Chemical Science-tech Co., Ltd. amounted to 3.2%, 6.3% and 0.9% of our total costs of sales, respectively. The decrease of revenue in both absolute terms and as percentages of our total revenue from Shenyang East Chemical Science-tech Co., Ltd. from 2021 to 2022, was primarily due to our adoption of new arrangement since July 2022 in relation to the disposal of crude NMP. Under such new arrangement, instead of selling crude NMP, we consigned third-party companies to process the crude NMP, and thus no revenue was recognized from the sales of crude NMP from then on. Correspondingly, the costs in relation to sales to Shenyang East Chemical Science-tech Co., Ltd. in both absolute terms and as percentages of our total costs decreased from 2021 to 2022. See "Financial Information – Principal Components of Statement of Profit or Loss and Other Comprehensive Income – Revenue – Revenue by Product – Battery Type," and "– Cost of Sales."

BUSINESS SUSTAINABILITY

Overview

We were established in 2017. Since our inception, we have achieved significant growth. Our total revenue increased significantly from RMB907.0 million in 2020 to RMB2,109.1 million in 2021, and further to RMB14,647.8 million in 2022, representing a CAGR of 301.9%. We sold 1.55GWh, 3.30GWh and 16.61GWh of our battery products in 2020, 2021 and 2022 respectively, representing a CAGR of 227.4%.

Despite our growth in revenue, we are not yet profitable. We have incurred gross losses and net losses during the Track Record Period. In 2020, 2021 and 2022, we recorded gross profit of RMB111.1 million, and gross losses of RMB324.9 million and gross profit of RMB1,088.3 million, respectively. During the same periods, we recorded net losses of RMB53.3 million, RMB804.2 million and RMB450.8 million, respectively. We recorded a net loss in 2022, primarily as our ESS battery products were sold at a loss in the first half of 2022, which offset part of the gross profit from the sale of both EV and ESS battery products in the second half of 2022, as well as the various operating expenses we incurred.

Historical Losses

Our losses during the Track Record Period were primarily attributable to the following reasons:

Low Utilization Rate Resulting from Production Capacity Expansion

Our growth depends to a large extent on our ability to expand our production capacity to meet the growing demand. As such, we have significantly increased our production capacity and output in the past few years. Our designed annual production capacity increased by more than ten folds from 2.3GWh in January 2020 to 35.2GWh in December 2022.

As we expand our production capacity, we typically experience a production ramp-up period before we reach an optimal production utilization rate. During ramp-up period, we would record higher per Wh manufacturing and labor cost. In particular, we experienced longer ramp-up period for our earlier production lines. For example, for our production lines in Wenzhou that commenced production in January 2019, the utilization rate remained below 70% in 2020 and it only exceeded 80% in 2021. Such long ramp-up period compressed our margin during the Track Record Period. We have been able to achieve an accelerated ramp-up period for most of our newer production lines. In particular, for the production lines commissioned in Wenzhou in July 2022, it only took approximately three months to reach an utilization rate of above 90%. Such shorter ramp-up period was the result of improved production planning through our effective review and analysis of production process.

We were also in the process of improving our production efficiency. We have taken several initiatives in recent years to improve our production efficiency, including developing new production technologies, installing advanced equipment and machinery, and optimizing the production processes and techniques. See "– Production." In particular, we have a database that helps us identify and document errors and redundancy in our production process, which improved our production efficiency. As such, our product yield had experienced an increase during the Track Record Period.

The shortened ramp-up period and improved production efficiency has resulted in a decrease in our per Wh manufacturing cost and per Wh direct labor cost. Our per Wh manufacturing cost for our battery products manufacturing costs decreased from RMB0.09 per Wh in 2020 to RMB0.05 per Wh in 2022. Our per unit direct labor cost decreased from RMB0.05 per Wh in 2020 to RMB0.03 per Wh in 2022.

Raw Material Prices Fluctuation

The prices of raw materials directly affect our cost of sales and our gross profit. In 2020, 2021 and 2022, costs of raw materials accounted for 67.5%, 68.3% and 79.9% of our cost of sales for the respective periods and 59.2%, 78.8% and 74.0% of our revenue for the respective periods. Historically, the price of raw materials experienced significant fluctuation. In particular, the average prices of lithium carbonate increased by 178.3% from RMB47,100 per ton in 2020 to RMB131,100 per ton in 2021, which further increased significantly to RMB496,100 per ton in 2022 according to the F&S Report. As a result, the average price of the cathode material for LFP battery products increased by 61.1% from RMB37,300 per ton in 2020 to RMB60,100 per ton in 2021, which further increased by 162.6% to RMB157,800 per ton in 2022. The fluctuations in the price of lithium carbonate had a significant impact on our cost of sales. As a result of such fluctuations, our unit costs of raw materials increased from RMB0.35 per Wh in 2020 to RMB0.50 per Wh in 2021 and further to RMB0.65 per Wh in 2022.

In addition, prior to November 2021, our pricing policy lacked price adjustment mechanism, partially due to our lack of bargaining power as a new entrant of the industry, as well as the fact that the prices of key raw materials have not experienced significant fluctuations of similar scale. As a result, we were not able to adjust the selling price of our products in time and in the same magnitude as the increase in raw material costs to pass down the increased raw material costs. In November 2021, we started to adjust our pricing by entering into supplemental agreements with our customers. In the second quarter of 2022, we started to introduce price adjustment mechanism into our contracts with customers in response to fluctuations in raw material prices. In particular, we actively adjust the sales price of our products after taking into consideration of the fluctuation of certain raw material prices (typically lithium carbonate).

The fluctuation in per Wh raw material costs, combined with the fixed-price arrangement in our sales contracts prior to November 2021, more than offset the decrease in our per Wh manufacturing and direct labor costs and led to gross losses in 2021.

Product Mix and Pricing Strategy

We pursue a dual-focus strategy on both EV and ESS batteries. During the Track Record Period, revenue from sales of both EV and ESS battery products increased rapidly. In 2020, as some of our EV battery products passed the verification processes required by our EV manufacturer customers, we allocated our increased production capacity to seize the opportunities and satisfy the booming demand from such EV manufacturers. In 2021 and 2022, we strategically increased our sales to ESS manufacturer customers to pursue the growth potential, and thus the revenue contribution from sales of ESS battery products increased gradually.

Our ability to price our EV battery products is substantially affected by the prevailing market trend. This, combined with the lack of price adjustment mechanism in response to raw material price hike prior to November 2021, resulted in gross losses of RMB103.3 million from the sales of EV battery products in 2021. As we started to adjust our pricing in November 2021 by entering into supplemental agreements with our customers and we started to introduce price adjustment mechanism into our contracts with customers in the second quarter of 2022, we recorded a gross profit of RMB146.2 million from the sales of EV battery products in 2022.

For ESS battery products, we choose to price our battery products competitively to promote our brand awareness and obtain customer recognition in order to capture market opportunities at early stages of ESS industry development. In particular, as discussed above, before November 2021, our pricing policy lacked price adjustment mechanisms for us to pass on the increase wholly or partially of the increased raw material prices. We also entered some fixed-price contracts for our ESS battery products in 2021 that guarantee the delivery of a large quantity of ESS battery products with extended delivery periods. After June 30, 2022, the negative impact of above-mentioned fixed-price contracts has been mitigated by the supplemental agreements with those ESS customers to adjust the selling price of the remaining products under those contracts.

The gross losses of our ESS battery products in 2020 and 2021 were partially attributable to the product mix. We sold a considerable amount of small capacity ESS battery products for household use cases, which is expected to be the strongest growing segment in the market for ESS batteries according to the F&S Report. Small capacity battery products tend to have higher per Wh manufacturing cost as the various fixed costs such as depreciation and amortization of equipment and utility costs to be borne by a unit of battery would be similar, regardless of the actual capacity of the product. This, combined with our strategy to price our products competitively, resulted in gross losses for our ESS battery products in 2020 and 2021.

We continued to devote our resources in the ESS batteries market despite the fact that historically we had recorded gross loss of our ESS battery products in 2020 and 2021 as we implement a dual-focus strategy on EV and ESS batteries. As a result of (i) our adjustment of prices of our ESS battery products in response to the rapid increase of raw material prices, which was also in line with the prevailing market trends according to the F&S Report, (ii) our further improved production efficiency, and (iii) our improved product offering, we managed to turn the gross loss of our ESS battery products into gross profit in 2022. We believe that the market of ESS batteries is an emerging one with vast growth potential. According to the F&S Report, the global annual ESS battery installations is expected to increase at a CAGR of 53.7% from 119.3GWh in 2022 to 1,023.1GWh in 2027, outpacing the expected growth in the global EV battery annual installations during the same period. In addition, China's ESS market, especially grid energy storage and commercial and industrial energy storage, is also expected to achieve massive growth in the coming years benefiting from various favorable policies.

Operational Expenditure

The ability to develop battery technologies and introduce new products that meet the demand and preference of our customers is crucial to our growth. As such, we have devoted significant resources to R&D activities. During the Track Record Period, our R&D expenses increased significantly. Factors such as salaries to our R&D personnel, the purchase of R&D equipment and related increase in depreciation, and the raw materials and consumables expenses have contributed to the increase in our R&D expenses. Our R&D achievements include SCL technology, minimalism battery top cover, green adhesive-free and detachable CTP, internal circulation and auto-equalization technology, high safety battery technology and battery management system technology. These enabled us to develop products meet customers' requirements which in turn has driven our growth. In 2020, 2021 and 2022, our R&D expenses were RMB72.7 million, RMB245.6 million and RMB767.7 million, respectively, accounting for 8.0%, 11.6% and 5.2% of our revenue, respectively.

Separately, as we continued to scale up our operation, our administrative expenses also increased significantly during the Track Record Period. In 2020, 2021 and 2022, our administrative expenses were RMB34.0 million, RMB160.6 million and RMB346.8 million, respectively, accounting for 3.7%, 7.6% and 2.4% of our revenue, respectively. In 2021, we significantly increased the number of our administrative personnel and office equipment to catch up with the administrative tasks resulting from our rapid growth and support our future expansion, which resulted in a rebound of our administrative expenses as a percentage of revenue from 2020 to 2021. Such percentage decreased to 2.4% in 2022 as our operational scale grew further.

Path to Profitability

We were able to record a gross profit in 2022 and a net profit for the six months ended December 31, 2022. We believe that we will be able to become profitable and generate operating cash inflow in 2023 through the following:

Improving Production Efficiency

As discussed in "– Historical Losses – Low Utilization Rate Resulting from Production Capacity Expansion" above, we have taken several initiatives in recent years to improve our production efficiency. We also aim to reduce the consumption of raw materials per Wh through improvement of production efficiency. In addition, as we accumulate experience in EV and ESS battery manufacturing, our workforce would become more familiar with the operation and management of production lines, which will also contribute to production efficiency improvement. In particular, we plan to undertake initiatives such as improving the cutting and recycling techniques for various cathode materials to more effectively utilize raw materials in our production process and improve our production efficiency in general. Improved production efficiency and utilization rate will result in lower per Wh depreciation and amortization costs, which contributes to our ability to become profitable.

We plan to further expand our production capacity in the near future. Our goal is to have a designed production capacity of 77GWh by the end of 2023 and over 150GWh by the end of 2025. As we further expand our production capacity, we will be able to designate production lines for different products, which will allow us to reduce the time needed to coordinate the production of different types of products across our production facilities and/or alter production schedules in response to the changes in market demand, thereby improving our production efficiency.

These new production facilities will also experience ramp-up periods, which in turn will negatively affect our ability to profit. However, as we have been able to shorten the ramp up period for our newly established production facilities during the Track Record Period, we do not expect the new capacity to have similar scale of negative impact on our ability to profit as compared with our production facilities established in the earlier years of our operating history. Moreover, as our operational scale grows, such new capacity will account for a decreasing proportion of our overall capacity, which further dilute the negative impact on our capability to make a profit. In addition, we have witnessed a trend of lower per Wh manufacturing and direct labor costs. We expect such trends to continue as we accumulate more experience in production and improve our production efficiency.

Strengthening Resilience to Raw Material Cost Fluctuations

As we expand our business and production scale, we will need to purchase more raw materials. This will give us a stronger bargaining power with suppliers. In response to the rapid and sharp fluctuation in raw material prices, we took measures such as (i) strategic cooperation with major suppliers of raw materials to lock the price and/or quantity of our key raw materials in advance based on our prudent estimation of market trend and according to our production plan and (ii) leveraging on our advantages among the supply chain from Tsingshan Group's network to help our suppliers source feedstock materials, such as lithium carbonate. Being part of the Tsingshan Group ecosystems facilitates the process of building trusts and business relationships with various raw material suppliers. We will also be able to capitalize on Tsingshan's various strategic endeavors in the upstream of the industry value chain and have opportunities to make strategic investment in upstream raw material suppliers and secure supplies of important raw materials.

We have entered into a framework agreement with a subsidiary of Tsingshan Group, to ensure a long-term, stable and predictable supply of raw materials. Under our framework agreement, Tsingshan Group will provide us with the supply of lithium compounds, ternary precursors, separators and graphite on terms no less favorable than prevailing market prices within the three-year agreement period. See "Connected Transactions – Non-exempt Continuing Connected Transactions." The expected maximum quantity of raw material supplies are set out as below:

	2023	**2024**	**2025**
Lithium compounds (in LCE tons)	6,500	30,000	60,000
Ternary precursor (tons)	8,918	19,604	20,000
Separator (m^2)	200 million	850 million	1,350 million
Graphite (tons)	N/A	20,800	33,600

In addition, we plan to invest in upstream raw material suppliers to further strengthen our position in the industry value chain. Such investments will allow us to secure raw material supplies at a more competitive pricing level. See "– Development Strategies – Ensure stable and cost-effective supply of raw materials."

To further mitigate the impact of raw materials, we started to adjust our pricing in November 2021 by entering into supplemental agreements with our customers. In the second quarter of 2022, we started to introduce price adjustment mechanism into our contracts with customers in response to fluctuations in raw material prices.

Increasing Sales Revenue

The rapid development of EV and ESS industries presents a significant opportunity. According to the F&S Report, the global annual installations for EV batteries is expected to increase at a CAGR of 38.8% from 504.5GWh in 2022 to 2,597.1GWh in 2027, and the global annual installations for lithium-ion ESS batteries is expected to increase at a CAGR of 53.7% from 119.3GWh in 2022 to 1,023.1GWh in 2027. Going forward, we aim to continue our dual-focus strategy and strategically allocate our production capacity for both EV and ESS battery products to capitalize on the expected strong growths in both areas.

In addition to the planned production capacity expansion to meet the expected strong growth in market demand, we plan to further increase our sales through the following:

- *Improved product offerings and increasing bargaining power*. As there has been a growing demand for EV and ESS products, we believe that with our expanded production capacity, commitment to R&D and innovation, and increased brand awareness and customer loyalty, we will continue to improve the product offerings and be able to enjoy stronger bargaining power for the sales of our products. In particular, as we attain market recognition, establish trusted relationship with our customers and become a more important part of our customers' supply chain, potential and existing customers are more willing to accept pricing terms that are more favorable to us. For example, starting in the second quarter of 2022, we started to include price adjustment mechanism into sales contracts with customers under which the sales price of our products are adjusted in accordance with the fluctuation of raw material prices, and would only match down on the pricing of the leading enterprises in the industry and the pricing of our direct competitors in certain circumstances, including for attracting new customers, entering new markets or strategic projects.

- *Optimizing customer base and improving product mix.* To capture the rapidly growing downstream demands, we plan to further expand our production capacity to over 150GWh by the end of 2025. Going forward, we aim to continue our dual-focus strategy and strategically allocate our production capacity for both EV and ESS battery products to capitalize on the expected strong growths in both areas. For EV batteries, we plan to focus on optimizing our customer base to cater to the needs of more mid- to high- end passenger vehicle manufacturers, expanding our product offerings to cover more commercial vehicles and special vehicles, as well as increasing the sales of our EV battery modules and battery packs. We plan to achieve this through more targeted sales and marketing activities and actively promote our high-performance battery products to expand our customer base and increase our sales amount. For ESS batteries, we plan to enhance our position in household ESS batteries while expanding our presence in the industrial ESS sectors by increasing the sales of our ESS battery boxes and racks. Such strategies are likely to bring us more orders for large capacity batteries. Historically, our ESS battery products were sold at a loss, which partially offset the gross profit from the sales of EV battery products in 2020. This is primarily the result of production efficiency issue particularly during the production ramp-up stage and our competitive pricing strategy. As we continuously improved our production efficiency as discussed in "–Historical Losses–Low Utilization Rate Resulting from Production Capacity Expansion" above and strengthen our bargaining power as discussed above, we have been able to sell our ESS battery products at a profit and achieve an overall gross profit since the third quarter of 2022.

- *Our overseas expansion*. The selling prices of our battery products are typically higher in overseas countries than in China. To capture overseas demands, we have been in the process of establishing after-sales service centers in Europe and we plan to establish production facilities in regions such as Europe, Southeast Asia and South America. We would firstly consider establishing assembly facilities for battery modules and packs near the location of our customers to allow them to enjoy certain local incentives. Establishing assembly facilities for battery modules and packs involve less capital investment and the fact that the facilities are specifically established for certain customers further secure the return from such investment. In addition, in the longer term, we would consider establishing production facilities for battery cells in the long term. We also plan to capitalize on the various strategic endeavor of Tsingshan Group to grasp the rapid growth in demand in overseas market.

Forming Economies of Scale

Higher margins are typically associated with the economies of scale. As we grow our operational scale and achieve better economies of scale, we expect our operation expenses, largely of relatively fix nature, to account for a decreasing proportion of our revenue.

We believe that we will be able to form better economies of scale from higher utilization of our production capacity to meet growing customer demands. To capture the rapidly growing downstream demands, we plan to further expand our production capacity. Our goal is to have a production capacity of over 150GWh by the end of 2025. As of December 31, 2022, our designed annual production capacity reached 35.2GWh. More specifically, we plan to (i) expand our production capacity at our Jiashan facilities to 32GWh by the end of 2024, (ii) to expand our production capacity at our Wenzhou facilities to 50GWh by the end of 2024, (iii) establish new production facilities at Foshan and Liuzhou, with planned production capacity of 30GWh and 20GWh, respectively, and to commence commercial production at these facilities in the second half of 2023. As we build up more production capacity and improve the performance of our EV and ESS battery products, which result in increased brand awareness, we are able to expand our customer base and obtain more orders, and we expect such trend to continue. Increased order volumes and improved production efficiency would drive up the utilization rate of our production lines. The utilization rates of production lines commissioned before 2022 at our Wenzhou facilities were above 95% in 2022.

Selling and distribution expenses and administrative expenses are less variable in nature. Our selling and distribution expenses accounted for a decreasing portion of our revenue. In 2020, 2021 and 2022, selling and distribution expenses was 3.8%, 3.4% and 2.2% of our total revenue, respectively. Our revenue also generally outgrew the increase in our administrative expenses. In 2020, 2021 and 2022, our administrative expenses were 3.7%, 7.6% and 2.4% of our revenue, respectively.

Despite the net losses, cash outflow from operating activities, net current liabilities we recorded during the Track Record Period, our Directors believe that our business is sustainable and we will be able to generate sufficient working capital to operate our business in a sustainable manner based on (i) the expected increase of sales revenue to be generated from our confirmed orders and project pipelines in development; (ii) our price adjustment mechanism with customers in response to fluctuations in raw material prices and therefore expected improvement in gross margin; (iii) strengthened cost control; and (iv) the strong liquidity and capital resources we maintained during the Track Record Period. In particular, as of April 30, 2023, we had unutilized banking facilities of RMB9,410.1 million. We also recorded net current assets of RMB6,039.2 million as of December 31, 2022. After making reasonable enquiries with our Company about the Company's working capital requirements, nothing has come to the Joint Sponsors' attention that would lead them to cast doubt on our Directors' view above.

WAREHOUSING, LOGISTICS AND INVENTORY MANAGEMENT

We have an operation and management system that is designed to cater to customer needs. Our supply chain is coordinated to achieve synergy and allocation of resources amongst order placement, procurement management, product manufacturing, shipping and other processes. We have also adopted digitized management system that covers the entire supply and delivery chain to ensure the efficient operation. We also employ highly efficient smart logistics system and data system to improve operation efficiency, precise management, and achieve optimal inventory turnover efficiency.

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

Warehousing

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

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

Inventory Control

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

Transportation and Packaging

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

INFORMATION TECHNOLOGY

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

ERP System

ERP system is employed to integrate business information and intelligence to facilitate management. Through intelligent processing of data statistics, analysis and technology for sales, production, procurement and finance, we can achieve more efficient decision-making and more effective management.

MES System

MES system is employed during the production process to exchange data with equipment, record the manufacturing process data of products in the database, trace data from production planning to shipment, and control production quality through process logic. Through integration with the ERP system, the MES system provides production data analysis for management decision-making.

PLM System	PLM system provides a complete and unified R&D collaborative management platform for project management, R&D design, and technical documentation. The life cycle of a product is controlled in the project from project proposal to mass production. The system defines each stage of the project, including project planning and confirmation, product design and development (sample A), process design and development (sample B), product and process confirmation (sample C), feedback, assessment and corrective actions, and performs the division and management of tasks at each stage so as to manage each product in a more rational way.
OA System	OA system facilitates inter-departmental collaboration and cross-system connection. In personnel affairs attendance management, we use this system to handle employees' employment and removal, unusual change, attendance accounting and other work. This system can also be used for conference booking, communications and contact, knowledge management and visitor registration, to make office operations easier and more efficient.
WMS System	WMS system has functions including receipt, dispatch, transfer and management, integrating batch management, material management, inventory, instant inventory management and other applications of the system. WMS system can effectively control and track the logistics and cost management of the entire process, achieving comprehensive management of enterprise warehousing.
WCS System	WCS system enables real-time monitoring of the operation and working conditions of devices. WCS is the warehouse control system. On the one hand, the WCS system interacts with the WMS system for information, accepts the WMS system commands and sends them to the PLC system to drive the transmission line for corresponding operation. On the other hand, it reflects the status and data of the PLC system in real time and provides the interface debugging and calling for the PLC system and transmission line.

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

PROPERTIES

We own and lease certain properties in China primarily to be used as production facilities and offices. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules.

According to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which require a valuation report with respect to all our interests in land or buildings, for the reason that, as of December 31, 2022, none of our properties has a carrying amount of 15% or more of our consolidated total assets.

The table below sets forth a summary of our properties related to production and operation in the PRC as of the Latest Practicable Date:

Property right	Property number	Function	Approximate Gross Floor area
			(sq.m.)
Owned property	2	For offices, storage, production, research and development purposes	450,313.72
Land use rights	9	For offices, storage, production, research and development purposes	1,568,991.59
Leased property	20	For offices, storage, production, research and development purposes	38,963.02

Owned Land and Properties

As of the Latest Practicable Date, we had the right to use nine parcels of land with a total gross land area of approximately 1,568,991.59 sq.m. located in China. As of the Latest Practicable Date, our PRC Legal Advisor confirmed that we had obtained all relevant land use rights certificates in China.

As of the Latest Practicable Date, we owned two properties in Wenzhou, China, with an aggregate area of 450,313.72 sq.m. primarily used for storage, production, R&D and staff dormitory purposes. According to our PRC Legal Advisor, we are legally entitled to have ownership of such properties and to occupy, use, transfer mortgage or otherwise dispose of such properties in accordance with applicable PRC laws.

Property title defect in relation to Jiashan Phase I

For 498,044.07 sq.m. of properties, we had not obtained the property ownership certificate as of the Latest Practicable Date. However, we have obtained land use permits, building permits, and construction permits from relevant competent government authorities for the above-mentioned properties. For 496,647.68 sq.m. of such properties, we have completed construction inspection and acceptance and are in the process of obtaining the property ownership certificates. There were three properties with a total size of 1,396.39 sq.m., including a warehouse, a storage tank and a garbage chamber, the construction approval of which were not complete. As a result, those three properties did not complete the construction inspection and acceptance and did not obtain the property ownership certificate as of the Latest Practicable Date. For the warehouse, as of the Latest Practicable Date, BatteroTech Jiashan was in the process of obtaining the construction approval. For the storage tank, BatteroTech Jiashan planned to dismantled the cover, as a result of which such storage tank will not be regarded as property any more and no property ownership certificate is required. For the garbage chamber, BatteroTech Jiashan planned to dismantled it as a whole. The Management Committee of Jiashan Economic and Technological Development Zone, the relevant competent authority for construction completion inspection and acceptance matters, have confirmed in an interview that it accepted the rectification measures of BatteroTech Jiashan and confirmed that it will not impose any administrative penalty on BatteroTech Jiashan due to the above non-compliance. In addition, Jiashan County Housing and Urban-Rural Development Bureau confirmed in writing that BatteroTech Jiashan has not been subject to any administrative penalties in relation to construction completion inspection and acceptance matters from the relevant authorities during the Track Record Period. Based on above, our PRC Legal Advisor is of the view that the title defect will not have a material adverse impact on production and business operations.

Leased Properties

As of the Latest Practicable Date, we had 20 leased properties in the PRC that are related to our production and operation with a total area of 38,963.02 sq.m,, which were used for offices, production, R&D and storage purposes.

As of the Latest Practicable Date, 19 of the above-mentioned leases have not been registered and filed with the relevant PRC authorities. We sought cooperation from the landlords of the leased properties to register such executed lease agreements. Registration of lease agreements requires the submission of certain documents of landlords, including their identity documentation and property ownership certificates, to the relevant authorities and therefore the registration is subject to cooperation of landlords of which we have limited control. Our PRC Legal Advisor is of the view that the non-registration and filing of the relevant property lease will not affect the validity of the lease contracts and the legal use of the leased properties, but relevant local housing authorities may require us to complete the filing within the prescribed period and we may be subject to penalties of RMB1,000 to RMB10,000 for each of such properties if we fail to file within the prescribed period. In accordance with the relevant provisions of the Civil Code of PRC, the lack of registration and recording of the property leases did not affect the validity of such leases, therefore, we did not receive any rectification order or been subject to any fines in respect of non-registration of any of our lease as of the Latest Practicable Date. Accordingly, our PRC counsel and we believe that the failure to register these lease agreements will not have any material adverse effect on our operations and financial position. In order to ensure on-going compliance with the PRC law and regulations relating to the registration of executed lease agreements, we will continue to seek cooperation from the landlords of the leased properties to register executed lease agreements with the relevant PRC government authorities and will adopt a variety of measures to mitigate such regulatory risk in the future.

As of the Latest Practicable Date, four leased properties of the above-mentioned leases have not provided title certificates of leased premises mainly because the landlords were not willing to cooperate and provide us with the title certificates. The reasons that the landlords failed to provide us with the relevant title certificates are beyond our control. We have maintained regular and active communications with such landlords regarding the progress of their rectification of the title defects and we have obtained confirmations from all the relevant lessors in which they promised to guarantee our use under the lease agreements. In addition, we have established internal guidelines and enhanced our internal control procedures to improve our evaluation of the newly leased buildings from a compliance perspective, and we will make careful inspections of the title of leased buildings before signing the lease in the future. We will also consult our external legal advisor with regard to reviewing the title certificates and other documents of our new leased buildings in order to ensure ongoing compliance with applicable Chinese laws and regulation. These leased properties are mainly used for office, R&D and assembly purposes and are not part of BatteroTech Shanghai's main production and operation premises and are highly alternative. As the aforesaid buildings are mainly used for non-production and non-operating purposes, if the leased properties cannot be continued to lease to us due to defects in the rights of the leased properties, we can promptly find alternative premises. As such, our PRC Legal Advisor and we are of the view that such title defects will not result in any material adverse impact on our production and operation.

As of the Latest Practicable Date, we were not subject to any material claims arising from or in respect of any defect in our leasehold interest in any of our leased properties.

COMPLIANCE AND LEGAL PROCEEDINGS

We may from time to time become a party to various legal, arbitration or administrative proceedings arising in the ordinary course of our business. As of December 31, 2022, there were no litigation, arbitration or administrative proceedings pending or threatened against us or any of the Directors which could have a material and adverse effect on our financial condition or results of operations.

Except for the non-compliance incidents disclosed below, as advised by our PRC Legal Advisor, we had complied with the relevant PRC laws and regulations in all material respects during the Track Record Period.

Social Insurance and Housing Provident Funds

According to the relevant PRC laws and regulations, we are required to make contributions to the social insurance fund and housing provident fund for the benefit of our employees in China. During the Track Record Period, certain of our PRC subsidiaries did not register for and/or make full contributions to social insurance and housing provident fund in accordance with the Regulations on Administration of Housing Provident Fund《住房公積金管理條例》and the Social Insurance Law of the PRC 《中華人民共和國社會保險法.》 Such non-compliance incidents occurred primarily due to (i) the implementation or interpretation of the PRC laws and regulations by local authorities varies, and our lack of correct understanding of certain administrative personnel handling the social security insurance and housing provident fund contributions at the project companies of the relevant PRC laws and regulations, and (ii) in some cases, certain employees voluntarily made the decision to not make such contributions in lieu of receiving cash payments. We estimate that the aggregate shortfall of social insurance and housing provident fund contributions in 2020, 2021 and 2022 amounted to approximately RMB0.9 million, RMB22.1 million and RMB78.1 million, respectively. We have made full provision for such shortfall for each of the year or period during the Track Record Period.

Our PRC Legal Advisor advised us that, pursuant to relevant PRC laws and regulations, if we fail to pay the full amount of social insurance contributions as required, we may be ordered to pay the outstanding social insurance premiums within a prescribed time limit and may be subject to an overdue fine of 0.05% of the delayed payment per day from the date on which the payment is payable. If such payment is not made within the stipulated period, the competent authority may further impose a fine from one to three times the amount of the overdue payment. Our PRC Legal Advisor advised us that, pursuant to relevant PRC laws and regulations, if we fail to pay the full amount of housing provident fund as required, the housing provident fund management center may order us to make the outstanding payment within a prescribed time limit. If the payment is not made within such time limit, an application may be made to the PRC courts for compulsory enforcement. As advised by our PRC Legal Advisor, if we fail to pay the outstanding amount of our social insurance and housing provident fund as requested, the relevant competent government authority might impose penalties on us, the potential amount of which is determined on a case by case basis. However, as advised by our PRC Legal Advisor, as long as we pay the outstanding housing provident fund in full in a timely manner upon receipt of the order of correction of non-compliance from the relevant competent authorities, our risk of being charged overdue fines or penalties is remote.

As advised by our PRC Legal Advisor, the non-compliance of the employee benefit contribution would not have a material adverse impact on our business based on the following grounds:

(a) We have obtained confirmation via interviews with relevant competent personnel from competent social insurance and housing provident fund authorities, confirming that such authorities will not penalize us;

(b) We have obtained written confirmations from competent social insurance and housing provident fund authorities. These confirmations state, in respect of the relevant periods stated therein, no administrative penalties had been imposed and/or the relevant subsidiary was in compliance with relevant laws and regulations;

(c) According to the *Urgent Notice of the General Office of the Ministry of Human Resources and Social Security on Effectively Implementing the Essence of the Executive Meeting of the State Council and the Measures on the Stable Collection of Social Insurance Contributions* which was promulgated on September 21, 2018, local governmental authorities are prohibited from centralized collecting of historical unpaid social insurance premiums and housing provident funds in order not to exert additional burden to the enterprises; and

(d) Following recent enforcement practice of relevant laws and regulations, no overdue fines or penalties will be imposed on us unless we fail to make up the shortfall relating to social insurance and/or housing provident fund within the prescribed time limit when ordered by the competent authorities. According to the certificates issued by the social insurance and housing provident fund department responsible for the Group's social insurance and housing provident fund, and verified by our PRC Legal Advisor's independent searches, we have not been subject to any social insurance and/or housing fund arrears recovery, rectification orders or penalties by the competent authorities.

We have proactively maintained communication with local government authorities in relation to the implementation and interpretation of the relevant PRC laws and regulations. We will continue to seek and follow their guidances in relation to matters regarding social insurance and housing provident fund.

We have taken the following rectification measures: (i) strengthen legal compliance training to our management team; (ii) enhance our internal control policy to manage our social insurance fund and housing provident fund contributions; and (iii) our human resources staff will prepare monthly reports of salary and contribution amounts, which shall be reviewed by our human resources department head and our finance department head to enforce our internal control policy.

Labor Dispatch

According to the Labor Contract Law of the PRC and the Interim Provisions on Labor Dispatch, the number of dispatched contract workers hired by an employer shall not exceed 10% of the total number of its employees (including both directly hired employees and dispatched contract workers). The employers who fail to comply with the relevant requirements on labor dispatch shall be ordered by the labor administrative authorities to make correction within a stipulated period. Where correction is not made within the stipulated period, the employers may be subject to a penalty ranging from RMB5,000 to RMB10,000 per dispatched worker exceeding the 10% threshold.

During the Track Record Period, the total dispatched contract workers hired by the Company have exceeded 10% of its total number of employees. As of the Latest Practicable Date, we had proactively rectified such non-compliance incidents by reducing the number of dispatched contract workers to below 10% in the absence of any notice of warning from relevant PRC authorities that requires correction of labor dispatch non-compliance issues within a stipulated period.

Our PRC Legal Advisor is of the opinion that the risk of our Company being penalized for its labor dispatch non-compliance during the Track Record Period is remote, after conducting independent searches and given that such non-compliance incidents during the Track Record Period had been rectified proactively by the Company before receiving any notice of warning that requires the correction within a stipulated period, and we have obtained compliance letters from the competent authorities proving that none of us or our subsidiaries had been subject to any labor related administrative order, penalties or other disciplinary actions from relevant PRC authorities in relation to our labor dispatch non-compliance incidents during the Track Record Period.

We have adopted the relevant policies to ensure our use and management of dispatched workers are in compliance with the relevant PRC laws and regulation. For example, we require our human resources department to calculate, on monthly basis, the ratio of dispatched contract workers to ensure it does not exceed 10%. See "– Risk Management and Internal Control."

Certain Permits and Approvals

As of the Latest Practicable Date, we had three projects with certain permits or approvals to be made or obtained. The relevant properties are used or planned to be used as production facilities. Due to insufficient understanding and knowledge on the PRC laws and regulations, we were not able to timely complete certain inspections and filings or obtain the relevant permits. More specifically, we did not fully appreciate the exact timing we were legally required to obtain certain permission or complete certain process, particularly for projects with multiple phases. With such lack of clear understanding of the applicable regulations, we commenced the construction work or production activities before the permission is obtained or the verification process is completed. We expect to fully rectify the non-compliances for those three projects before [**REDACTED**].

BatteroTech Shanghai Project

We were not able to obtain the acceptance check of the constructed supporting environmental protection facilities in accordance with the Regulations on the Administration of Environmental Protection of Construction Projects (《建設項目環境保護管理條例》) (the "**Environmental Protection Regulations**") and other relevant regulations for BatteroTech Shanghai production facility (the "***BatteroTech Shanghai Project***") before commencing production. As of the Latest Practicable Date, the BatteroTech Shanghai Project ceased production activities and we were in the process of obtaining the relevant acceptance check.

In relation to the acceptance check of the constructed supporting environmental protection facilities, according to the Environmental Protection Regulations, where a project owner, in violation of relevant provisions, puts the construction project into production or use before completing the acceptance check of the constructed supporting environmental protection facilities, the relevant competent authority may order the project owner to take corrective actions within a specific period of time, and may also impose a fine of not less than RMB200,000 but not more than RMB1,000,000.

The Fengxian Branch of Shanghai Ecological Environment Bureau, the competent authority for such matter confirmed in an interview that BatteroTech Shanghai did not receive any administrative penalty for the non-compliance.

Based on the above, our PRC Legal Advisor is of the view that the non-compliance in relation to BatteroTech Shanghai Project's acceptance check of the constructed supporting environmental protection facilities will not have a material adverse impact on our production and business operations.

Jiashan Phase I

We were not able to complete the construction completion inspection and acceptance process in accordance with the Regulations on Quality Management of Construction Works (《建設工程質量管理條例》) (the "***Quality Management Regulations***") for phase I of Jiashan facility project ("***Jiashan Phase I***"), a project of BatteroTech Jiashan, before commencing production.

In relation to construction completion inspection and acceptance processes, according to the Quality Management Regulations, construction projects are required to complete construction completion inspection and acceptance processes. For projects put into operations before completing construction completion inspection and acceptance processes, the relevant competent authorities may require rectification and may impose a fine between 2% to 4% of the contract value of such construction project. The maximum potential penalties which may be imposed on us for failing to complete construction completion inspection and acceptance processes for Jiashan Phase I is RMB31 million.

As of the Latest Practicable Date, BatteroTech Jiashan has completed construction inspection and acceptance for 496,647.68 sq.m. of Jiashan Phase I, and is in the process of obtaining the property ownership certificates. There remained three property with a total size of 1,396.39 sq.m., including a warehouse, a storage tank and a garbage chamber, the construction approval of which were not complete. As a result, those three properties did not complete the construction inspection and acceptance and did not obtained the property ownership certificate as of the Latest Practicable Date. For the warehouse, as of the Latest Practicable Date, BatteroTech Jiashan was in the process of obtaining the construction approval. For the storage tank, BatteroTech Jiashan planned to dismantled the cover, as a result of which such storage tank will not be regarded as property any more and no property ownership certificate is required. For the garbage chamber, BatteroTech Jiashan planned to dismantle it as a whole. The Management Committee of Jiashan Economic and Technological Development Zone, the relevant competent authority for construction completion inspection and acceptance matters, have confirmed in an interview that it accepted the rectification measures of BatteroTech Jiashan and confirmed that it will not impose any administrative penalty on BatteroTech Jiashan due to the above non-compliance. In addition, Jiashan County Housing and Urban-Rural Development Bureau confirmed in writing that BatteroTech Jiashan has not been subject to any administrative penalties in relation to construction completion inspection and acceptance matters from the relevant authorities during the Track Record Period.

Based on the above, our PRC Legal Advisor is of the view that, the non-compliance in relation to Jiashan Phase I's construction completion inspection and acceptance matter will not have a material adverse impact on our production and business operations.

Based on the foregoing, our Directors are of the view that the non-compliance incidents relating to BatteroTech Shanghai Project and Jiashan Phase I will not have a material adverse effect on our production and business operations. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we have not experienced any events or complaints that would have a material adverse effect on our production and business operations.

Jiashan 2GWh Project

We were not able to obtain the approval of environmental impact evaluation in accordance with the Environmental Protection Regulations and other relevant regulations for a project of BatteroTech Jiashan primarily for R&D purpose with a planned annual production capacity of 2GWh ("***Jiashan 2GWh Project***") before commencing construction. As of the Latest Practicable Date, the Company was in the process of obtaining such approval.

In relation to the approval of environmental impact evaluation, according to the Environmental Protection Regulations, where a project owner, in violation of relevant provisions, commences the construction of a project without submitting for approval its environmental impact report or report form in accordance with the law, the relevant competent authority may order the project owner to cease construction, and according to the circumstances of violation of law and damage, impose a fine of not less than 1% but not more than 5% of the total investment of the construction project on the project owner, and order it to restore to the original state.

The Jiashan Branch of Jiaxing Ecological Environment Bureau confirmed in writing that BatteroTech Jiashan has not been subject to any administrative penalties in relation to environment protection matters from the relevant authorities during the Track Record Period. In addition, before commencing construction, BatteroTech Jiashan had obtained the "construction after obtaining the land" approval from Management Committee of Jiashan Economic and Technological Development Zone, under which the the BatteroTech Jiashan obtained other construction related approval and acceptance in a short period before construction.

Based on the above, our PRC Legal Advisor is of the view that the non-compliance in relation to Jiashan 2GWh Project's environmental impact evaluation will not have a material adverse impact on our production and business operations.

Our Rectification Measures

In order to ensure strict compliance of PRC laws and regulation in the future and further strengthen our internal control system regarding construction work, we have taken some measures to ensure on-going compliance. We have established internal procedures which aims to ensure that our subsidiaries will obtain all necessary permits, licenses and regulatory approvals prior to commencing any construction work in the future. We have designated personnel responsible for obtaining relevant permits, licenses and approvals for property development and they are required to obtain internal approval before undertaking any construction work for new projects. In order to avoid any unapproved commencement of construction works, we will designate staff members to inspect our construction site on a regular basis to prevent commencement of construction work before obtaining all necessary permits. They will also conduct evaluation of any issue detected and implement appropriate measures for rectification. We believe such measures and adequate and effective. In the future, we will obtain all necessary permits, licenses and regulatory approvals prior to commencing production and/or construction work for our projects. In particular, we have established internal guidelines and enhanced our internal control procedures to improve our evaluation of our new projects, and we will make careful inspections before commencing production and/or construction work in the future. We have engaged four certified public accountants to work as assistant to the CFO, head of accounting, head of internal audit, and expense accountant, respectively. We have also hired an internal control counsel to assist with internal control matters. We will also consult our external legal advisor with regard to reviewing the necessary permits, licenses and regulatory approvals for our projects in order to ensure compliance with applicable Chinese laws and regulation. In addition, we will conduct feasibility studies which specifically give regards to local laws and regulations for any future overseas projects.

Suitability

As of the Latest Practicable Date, our Directors confirm that we had not been subject to any fine, request for suspension of production or confiscation of any income or products from competent authorities with respect to such non-compliance incidents disclosed above.

Having considered the facts and circumstances leading to the non-compliance incidents disclosed in this document, the advice given by our PRC Legal Advisor, the relevant precautionary measures we took, the relevant rectifications made and being made, and on-going compliance measures mentioned above, our Directors are of the view that the non-compliance incidents will not have a material adverse impact on our business operations or financial condition as a whole.

After considering the above precautionary and rectification measures already taken and being taken by our Group, our business model and operation scale, our Directors are satisfied that our internal control system is adequate and effective for our current operation and consider that the non-compliance incidents do not have any material impact on the suitability of our Directors under Rules 3.08 and 3.09 of the Listing Rules and our suitability for [**REDACTED**] under Rule 8.04 of the Listing Rules.

The Joint Sponsors have conducted due diligence on the enhanced internal control measures in relation to its non-compliance incidents, including in particular discussing with the management of our Company and the internal control consultant of our Company with a view to understanding the implementation of such measures and specifically how each of such non-compliance incidents is addressed on a control level and, reviewing the relevant internal control policies. Based on the foregoing, and our Directors' confirmation that we have not identified recurrence of such non-compliance incidents since the implementation of the relevant measures, nothing has come to the attention of the Joint Sponsors that would lead them to cast doubts on the Directors' views on the effectiveness and adequateness of the enhanced internal measures.

Based on (i) as confirmed by our Directors and based on the Joint Sponsors' reasonable due diligence, the non-compliance incidents did not involve any fraudulent misconduct, dishonesty or corrupt conduct on the part of our Directors that could impugn on their character, integrity or competence; (ii) the willingness and commitment of our Directors in rectifying the non-compliance incidents as noted by the Joint Sponsors since they started working with the Company for the preparation of the proposed [**REDACTED**] in early 2022; (iii) the effective adoption and implementation of enhanced internal control measures as discussed above and (iv) our Directors having attended directors' training in the course of preparing for the proposed [**REDACTED**] and consulting professional advisers to become familiar with the applicable legal requirements and taking an active interest in rectifying the non-compliances and ensuring on-going compliance after the [**REDACTED**], nothing has come to the attention of the Joint Sponsors that would lead them to cast doubts on the suitability of our Directors in the context of Rules 3.08 and 3.09 of the Listing Rules.

COMPETITION

The lithium-ion battery market in China is highly competitive and concentrated, particularly the EV battery market, and we expect that the competition will be even more intense in the future. According to the F&S Report, the top five EV battery manufacturers accounted for approximately 85.3% of total EV battery installation volume in China in 2022, with the largest EV battery manufacturer accounted for 48.2% of the total EV battery annual installations in China in 2022. ESS market is still at the initial stage of development. Comparing to the annual installations of 294.6 GWh in EV battery market in 2022 in China, ESS battery only achieved annual installations of 22.7 GWh in 2022. According to the F&S Report, the top five China-based ESS battery manufacturers accounted for approximately 61.3% of the global total ESS battery installation volume in 2022. We generally compete with other large scale lithium-ion battery manufacturers. According to the F&S Report, the primary competitive factors in our markets are: product safety, technological innovation, product performance and price, industrial chain resource integration capability, mass production capabilities, customer service and support and corporate reputation. We believe that positive factors pertaining to our competitive position include innovative technologies, resource integration capability along industrial chain, precise consumer targeting and product defining capabilities. See "Industry Overview."

To distinguish ourselves from our competitors, we have been dedicated to the improvement of product performance and optimization of technology innovation with strategies in cooperation with our major customers. Such approach enables our R&D capabilities and speed of innovation, as well as unique capabilities to tailor make our lithium-ion batteries to cater to the evolving needs of our major customers. With our leading technology in product safety and quality as well as supply chain management, we continue to bring innovations in lithium-ion battery manufacturing, and deliver differentiated and high quality products, which position us favorably in the competitive environment and will continue to play a crucial part in our future competition.

AWARDS AND ACHIEVEMENTS

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

Awarded Project	Award Name	Awarding Institution	Award year
–	China Energy Storage Industry Best Energy Storage Battery Supplier Award 2022	China International Energy Storage Conference and China Energy Storage Website	2022
–	China PV, ES and Charging Industry Energy Storage Battery Brand 2022	China Wind Energy, PV and Energy Storage Website	2022
Zhejiang provincial green low-carbon industrial parks and factories in 2021	Zhejiang Provincial Green Low Carbon Factory in 2021	Economy and Information Technology Department of Zhejiang	2021
Provincial-level high-tech enterprise R&D center	Zhejiang Rui Pu energy lithium-ion battery and system high-tech enterprise R&D center	Science Technology Department of Zhejiang Province	2021
The second batch of "waste-free factories" of Zhejiang Province in 2021	The second batch of "waste-free factories" of Zhejiang Province in 2021	Ecology and Environment Department of Zhejiang Province	2021
–	Bronze medal for corporate social responsibility	EcoVadis	2021
Digital workshop of Zhejiang Province in 2020	Digital workshop of Zhejiang Province in 2020	Economy and Information Technology Department of Zhejiang	2020
Leading Innovation and Entrepreneurship Team of Zhejiang Province in 2020	Leading Innovation and Entrepreneurship Team of Zhejiang Province in 2020	Science Technology Department of Zhejiang Province	2020

In June 2023, the Global Battery Alliance officially accepted the Company as one of its member. The Global Battery Alliance was established by World Economic Forum in 2017 as the first world-wide battery association, which consists of more than 140 enterprises, government and non-government organizations and other entities, covering every aspect of the battery industry and taking actions in area such as Environmental, Social and Governance and cyclic economy.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE MATTERS

Metrics and Targets on Environmental, Social and Climate-related Risks

In order to better assess and manage our environmental, social and climate risks, we have set the following emission targets:

- Greenhouse gas emission reduction target: From 2022 until the end of 2025, we strive to reduce greenhouse gas emissions per unit of product. Our greenhouse gas emission level in 2020, 2021 and 2022 were 26.0 thousand tons per GWh, 25.3 thousand tons per GWh and 18.5 thousand tons per GWh, respectively.

- Waste treatment target: We strive to maintain the waste recycling rate at over 99% rate going forward. Our waste recycling rates in 2020, 2021 and 2022 were 99.7%, 97.6% and 99.0%, respectively.

- Wastewater and exhaust gas reduction emission targets: We are dedicated to achieving the discharge of wastewater and exhaust gas in fully compliance with the applicable standards. In 2022, we discharged 9,580.5 tons of wastewater, but we recorded nil discharge of wastewater in 2020 and 2021. We emitted 51.9 million square meters per GWh, 25.3 million square meters per GWh and 41.5 million square meters per GWh of exhaust gas in 2020, 2021 and 2022, respectively. The increase in wastewater discharged and exhaust gas emitted per GWh in 2022 was primarily due to the rapid increase in our production capacity in 2022, which exceeded our then limited capacity to recycle the wastewater and exhaust gas. We will strive to increase our capacity to recycle the wastewater discharged and exhaust gas emitted from our production processes. We aim to reduce wastewater and exhaust gas emission per unit of product, and we plan to further increase our recycling rate on wastewater and exhaust gas going forward.

According to Frost & Sullivan, our pollutant emissions are in line with EV and ESS battery industry average, and such metrics and measurements are in line with the industry norm.

In 2020, 2021 and 2022, the costs we incurred in complying with the requirements of the relevant environmental laws and regulations and our expenditures related to environmental protection amounted to approximately RMB19.2 million, RMB10.3 million and RMB27.1 million, respectively. We expect that our cost of complying with relevant environmental laws and regulations will increase as we expand our business.

Environmental Protection and Management Measures

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

Waste Management

To reduce waste emissions, we are committed to recycling of wastes and using low-polluting raw materials wherever possible. We also conduct tests on wastewater and gas emissions on a regular basis.

In 2020, we obtained the "Environmental Management System" certification from Beijing Xinjiyuan Certification Co., Ltd. and we have been continuously holding such certification since then. We have established and operated an environmental management system in accordance with the requirements of the ISO14001 standard to identify and control environmental management risks and to continuously improve our environmental management performance.

We manage and control the process of collection, storage, and transfer of waste, in accordance with the relevant PRC laws and regulations. Our management department will collect, store and inspect hazardous waste material regularly until it is transferred to a qualified waste disposal unit for further processing. We abide by the requirements for discharge as adopted in laws and regulations. Our plants are equipped with different equipment or systems for recycling and processing exhaust gas. The exhaust gas is recycled and reused, while those which cannot be recycled, in strict compliance with the "Emission Standard for Pollutants for Battery Industry" (《電池工業污染物排放標準》), are discharged when emission standards are met after effective treatment.

We conduct regular training on environmental protection to enhance the environmental awareness of our employees. We have developed contingency plans for environmental emergencies and organize regular staff drills to ensure that waste will not escape into the environment under special circumstances.

Carbon emission management

We are committed to achieving the carbon peaking and carbon neutral goals. We are committed to building a green and low-carbon factory to minimize the impact of our manufacturing operations on the environment. We have established and operated an energy management system in accordance with the GB/T23331-2020 standard, ISO 50001:2018 ISO5001 standard, and other related standards. We have adopted a series of measures such as technology and management to continuously reduce energy consumption and carbon emissions in the process of manufacturing operations. We have obtained the energy management system certification in 2021 from BCC Inc. and continue to hold the energy management system certification. We actively implement the concept of eco-design in our production. In terms of product design, we have optimized the selection of raw materials, the production process, the use of packaging materials, and the use of energy resources, and have reduced the use of toxic and hazardous substances to meet the requirements of eco-design evaluation.

In addition, we actively introduce green design concepts and design green products with a low carbon footprint.

We purchase energy-efficient power equipment and actively encourage the recycling of surplus energy and excess pressure to reduce the energy consumption in our production systems. We continuously conduct energy-saving reviews, reducing the energy consumption in the production system through management measures. We have built in the use of solar energy to supplement/replace grid electricity use. For example, we have built and photovoltaic power plants, surplus heat recycling systems, battery charging and discharging performance testing grid feedback system and other energy saving systems.

We strictly abide by the emission permit system and is in compliance with the relevant environmental assessment and industry standards. The relevant treatment facilities and equipment are managed under the responsibility of dedicated personnel, who are professionally trained and qualified to ensure the normal operation of environmental protection facilities and equipment. We monitor the main pollutants of boiler flue gas on a monthly basis. General organic emissions, noise, particulates, gas emissions and liquid waste emissions are monitored according to the relevant monitoring frequency requirements. The monitoring data will be used as a basis for continuous improvement in environmental protection, and the relevant data will be made public on the provincial website for social supervision.

Our manufacturing operations are subject to relevant environmental laws and regulations in the PRC. The environmental protection inspection department of the local government conducts regular inspections on our Company's environmental protection. Our PRC Legal Advisor advised us that, from during the Track Record Period and up to the Latest Practicable Date, we have not been subject to significant penalties by the governmental authorities for non-compliance with the applicable PRC environmental laws and regulations.

Sustainable Supply Chain Management Policy

We actively promote the construction of green supply chains. Taking advantage of self-generated products, we establish green supply chains, and actively influence suppliers to improve the environmental friendliness of products and reduce carbon emission. In response to the national "dual carbon" policy, we set carbon reduction targets to increase the proportion of renewable energy use.

Our ESG-Related Accreditations

We have obtained various ESG-related accreditations including:

- The ISO14001 Environmental Management System Certification certified by Beijing Xinjiyuan Certification Co., Ltd.;

- The ISO45001 Occupational Health and Safety Management System Certification certified by Beijing Xinjiyuan Certification Co., Ltd.;

- The IECQ QC 080000 Hazardous Substance Management System Certification certified by Shanghai NQA Certification Co., Ltd.; and

- The ISO50001 energy management certification certified by BCC Inc.

Occupational Health and Safety

We have well-established quality management, environmental management, occupational health and safety management and energy management systems, and have obtained certifications from third-party certification institutions.

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

In order to ensure that our operations comply with applicable laws and regulations, we have established and improved a series of policies and procedures on health and work safety, including safety production responsibility system, equipment safety management, high-risk operations, management of hazardous chemicals, accident and emergency, hierarchical management and control of safety risk, and hidden danger investigation and management, in accordance with relevant national laws and regulations and GB/T45001 standards.

In order to improve our employees' awareness of safe operations, we implement the concept of occupational health and safety throughout the entire production process, which effectively reduces non-compliant operation. We have passed the certification review conducted by a third-party institution for our occupational health and safety management system, and thus continue to hold the certificate of the occupational health and safety management system granted by Beijing Xinjiyuan Certification Co., Ltd. in 2020. We have carried out self-assessment and external review for safety production standardization of enterprises as required, and have held a level III safety production standardization certificate.

LICENSES, PERMITS AND APPROVALS

Our Directors, as advised by our PRC Legal Advisor, confirmed that, save as disclosed in "Business – Compliance and Legal Proceedings," we have obtained all necessary licenses, permits and approvals for conducting operating activities are important to our operations, and such licenses, permits and approvals are still valid as of the Latest Practicable Date.

INSURANCE

As of the Latest Practicable Date, we believe that our insurance coverage is in line with the industry practice and adequate to cover our key assets, facilities and liabilities, including but not limited to all property related risks insurance, cargo transportation appointment insurance, employer liability insurance and public liability insurance. We procured insurance policies by type and amount that we consider sufficient, and evaluated such insurance policies from time to time based on our past experience, changes in production and industry developments.

We are committed to minimizing the risks of product liability claims, warranty claims and product recalls through stringent quality control. In addition, in the event that one or more of our suppliers is determined to be liable (in whole or in part), we will assess the compensation or contributions sought from the relevant suppliers (if applicable) in accordance with the terms and conditions of the supply contracts entered into with the relevant suppliers, taking into account various commercial considerations, including but not limited to the amount sought, the financial ability of the relevant supplier and the risk of interruption in the supply of our products and our customers as a result of claims for compensation or contributions that may be made by us. Please see "Risk Factors – We may be involved in product liability claims, and our product liability insurance may not be sufficient to cover potential liability from product liability claims."

EMPLOYEES

We believe that our long-term growth depends on the expertise, experience and development of our employees. Our human resources department is responsible for recruiting, managing and training our employees. We recruit employees primarily through referrals, headhunters, recruitment websites and on-campus recruitment. We provide training programs to our employees, including new hire training for new employees and continuing technical training for our production and R&D personnel to enhance their skill and knowledge. We take measures to promote equal opportunities, anti-discrimination, and diversity among employees.

As of December 31, 2022, we had 8,885 full-time employees. Generally, we enter into labor contracts with our employees. Substantially all of our employees were in China. The table below sets forth the number of our employees by function as of December 31, 2022.

	Number of employees	Percent of total
Sales and marketing	114	1.3%
Production	5,249	59.1%
Quality control	791	8.9%
Administrative	83	0.9%
Finance	56	0.6%
R&D	2,063	23.2%
Management	153	1.7%
Procurement	62	0.7%
Warehousing and logistics	314	3.5%
Total	**8,885**	**100.0%**

Our Directors consider that our Group has maintained a good relationship with our employees and is expected to remain amicable in the future. During the Track Record Period and up to the Latest Practicable Date, there was no incident of disruption of work which had an adverse impact on our operation, or no material dispute between our Group and our employees. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material labor disputes or strikes which may have a material and adverse effect on our business, financial condition or results of operations.

RISK MANAGEMENT AND INTERNAL CONTROL

We are exposed to various risks during our business operations. We have established risk management systems consisting of appropriate policies and procedures, and we continue to improve these systems. We have adopted, among other things, the following risk management measures: (i) our Board of Directors is responsible for monitoring our internal control system, reviewing its effectiveness, and maintaining our risk at an appropriate and effective level. A review of our risk management and internal control system has been conducted and will be conducted at least annually, which will include a review of all material controls, including financial, operational and compliance controls; (ii) our audit department is responsible for the evaluation of the risks faced by us on an annual basis, and prepares a risk assessment report based on the evaluation results and submits it to the audit committee and the Board of Directors for approval; (iii) we require all departments to proactively identify the risks they face and various internal and external factors that affect the occurrence of the risks; and (iv) we will engage external professional advisors, where necessary, and work with our internal audit and legal team to conduct regular review to ensure the effectiveness of all registrations, licences, permits, filings and approvals.

We have engaged an independent internal control consultant to help identify and advise on mitigating risks relating to our operation. During the review by our independent internal control consultant, certain deficiencies were identified based on sample review and we have adopted the appropriate internal control measures to improve such deficiencies. In particular, the internal control consultant had identified that we did not have formal written policies and procedures which provided clear guidance on the selection, management and compliance of dispatched workers. To rectify such deficiencies, we have adopted the relevant policies to ensure our use and management of dispatched workers are in compliance with the relevant PRC law. For example, our human resources department keeps monthly record of the number of dispatched contract workers to ensure that the number of dispatched contract workers do not exceed 10% of the total number of our employees.

We had adopted additional internal control measures to comply with the Listing Rules. Except as described in the above, we are not aware of any material internal control weaknesses or incidents during the Track Record Period and up to the Latest Practicable Date.

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

We have established a professional internal control team, which is responsible for establishing risk management and internal control systems, conducting internal audit and providing internal control consultation. As of December 31, 2022, the members of our internal control management team have an average of more than five years of relevant work experience, and hold relevant professional certificates.

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

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our financial statements and notes included in "Appendix I – Accountants' Report." The financial information as set out in the Accountants' Report incorporates the financial statements of the Company during the Track Record Period. You should read the whole Accountants' Report and not rely merely on the information in this section. For the purpose of this section, unless the context otherwise requires, references to 2020, 2021 and 2022 refer to our financial years ended December 31 of such years.

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

OVERVIEW

We are a lithium-ion battery manufacturer in China. We focus on the R&D, production and sales of EV and ESS lithium-ion battery products including battery cells, modules and packs (including battery boxes, battery racks and energy storage containers for ESS packs). Established in October 2017, we achieved bulk delivery for lithium-ion batteries in April 2019. Our EV battery products include LFP battery products and ternary lithium battery products used in various types of passenger vehicles, commercial vehicles and special vehicles. Our ESS battery products are LFP battery products for a broad range of application in household, commercial and industrial energy storage. According to the F&S Report, in 2022, we were the tenth largest lithium-ion battery manufacturer globally in terms of annual installations for new energy application, the sixth largest in China in terms of global annual installations for new energy application, the tenth largest globally in terms of China EV battery installations, and the third largest globally in terms of global ESS battery installations.

During the Track Record Period, we achieved significant growth. Our total revenue increased significantly from RMB907.0 million in 2020 to RMB2,109.1 million in 2021, and further to RMB14,647.8 million in 2022, representing a CAGR of 301.9%. We sold 1.55GWh, 3.30GWh and 16.61GWh of our battery products in 2020, 2021 and 2022, respectively, representing a CAGR of 227.4%.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

End Markets that We Serve and Fluctuation in Customer Demand

We provide battery products that are used for EVs and ESSs. Accordingly, our results of operations have been and are expected to continue to be affected by downstream demand for EVs and ESSs. Strong growths in China's EV market and EV battery annual installations, as well as the global ESS market, were major drivers for our growth during the Track Record Period, and are expected to continue to drive our growth in the future.

Factors such as purchase price, charging time, driving range, safety and battery life are critical to customer demand for EVs. In addition, the demand for EVs is also supported by favorable government regulations and policies. Driven by various favorable factors, the market demand for EVs have grown significantly in recent years. According to the F&S Report, the sales volume of EVs in China increased from approximately 777 thousand units in 2017 to approximately 6,883 thousand units in 2022, representing a CAGR of 54.7%. The EV battery annual installations in China grew along with the increase in the sales volume of EVs, which increased from 36.1GWh in 2017 to 294.6GWh in 2022, representing a CAGR of 52.2%. According to the same source, China's EV in terms of sales volume and EV battery annual installations will further grow at a CAGR of 21.3% and 41.1%, respectively, from 2022 to 2027.

The strong demands for our EV battery products could provide us with stronger bargaining power and help us to become profitable. According to the F&S Report, there has been an undersupply of EV battery products in recent years and the markets of EV battery products still have great potential of increase in the future. To capture sales opportunities brought by such undersupply, we have been expanding and will continue to expand our EV battery production capacity and output. Higher margins are typically associated with the economies of scale from higher utilization of our production capacity to meet growing customer demands. Our ability to price our products is also substantially affected by the prevailing market trend.

The demand for ESS battery products is affected by various factors such as policies that promote renewable power generation and energy storage adoption, the cost of renewable energy, and the cost of corresponding energy storage system. According to the F&S Report, the global ESS battery annual installations increased from 2.4GWh in 2017 to 119.3GWh in 2022, representing a CAGR of 121.4%. According to the same source, the global ESS battery annual installations will further grow at a CAGR of 53.7% from 2022 to 2027. Any given long-term contracts for ESS battery products with large volume might also affect our overall profitability within a short period of time to the extent that we are not able to timely adjust our selling prices to reflect, among others, fluctuations in raw materials prices.

Expansion and Management of Production Capacity and Improvement of Efficiency

Growth in our revenue and market share depends to a large extent on our ability to expand our production capacity to meet growing demand. In order to meet growing customer demand for our products, we have significantly increased our production capacity and output in the past few years, and have expanded, trained and managed our workforce along with the increase in our production capacity. As of December 31, 2022, our designed annual production capacity reached 35.2GWh. We expect our designed annual production capacity to reach 77GWh by 2023. See "Business – Production – Existing production Facilities" and "Business – Production – Planned Production Facilities." Separately, as we expand our production capacity, we typically experience a production ramp-up period before we can reach the optimal utilization rate. During ramp-up period, we would record higher unit manufacturing and direct labor costs. As such, as we continue our rapid expansion plan, our profitability can be affected. However, as products manufactured at these new production lines during the ramp-up period will account for a lesser proportion of our overall production output, the negative impact of the ramp-up period of those new production lines on our profitability will be less pronounced going forward as compared with the Track Record Period.

The ability to manage production ramp-up, maintain and improve our production efficiency also affects our profitability and results of operations. We have taken several initiatives in recent years to improve our production efficiency, including (i) developing new production technologies, (ii) installing advanced equipment and machinery, and (iii) optimizing the production processes and techniques. Our ability to rapidly implement new technologies and improve manufacturing processes gives us the flexibility to optimize the use of our production lines. We have also been able to shorten the period we need to reach the optimal utilization rate from the commencement of production at a new production line since our inception. See "Business – Production – Existing Production Facilities". In addition, we have improved our capability to coordinate the production of different types of products across our production facilities and/or alter production schedules in response to the changes in market demand. Such ability would in turn bring us more customers and help us attract more sales opportunities, while utilizing our production capacity efficiently. Going forward, as we continue to expand our production capacity and establish additional production facilities, we are committed to continuing to maintain and improve our production efficiency. More specifically, through the improvement of our production efficiency, we lowered the unit direct labor costs of our battery products from RMB0.05 per Wh in 2020 to RMB0.03 per Wh in 2022, and the unit manufacturing costs of our battery products from RMB0.09 per Wh in 2020 to RMB0.05 per Wh in 2022. Going forward, we expect that the further improvement of our production efficiency will help us become profitable.

Fluctuation in Prices of Raw Materials

The prices of the raw materials directly affect our cost of sales and our gross profit. Historically, the price of raw materials experienced significant fluctuation. In 2020, 2021 and 2022, costs of raw materials accounted for 67.5%, 68.3% and 79.9% of our cost of sales for the respective periods and 59.2%, 78.8% and 74.0% of our revenue for the respective periods. Cathode materials, primarily including LFP, lithium NCM and aluminum foil, and anode materials, primarily including graphite and copper foil, accounted for the majority of our raw materials costs. In particular, 2020, 2021 and 2022, the cost of cathode materials amounted to RMB191.4 million, RMB661.4 million and RMB6,498.9 million, accounting for 24.0%, 27.2% and 47.9% of our cost of sales, respectively. According to the F&S Report, the average price of lithium carbonate, the major raw material for LFP, decreased by 33.8% from RMB71,200 per ton in 2019 to RMB47,100 per ton in 2020. As a result, the average price of the cathode materials for LFP battery products decreased by 25.8% from RMB50,300 per ton in 2019 to RMB37,300 per ton in 2020. Such decrease was primarily due to the oversupply of raw materials such as lithium carbonate in the market in the first half year of 2020 as the market demand was not as strong as expected. Correspondingly, we recorded a gross profit of RMB111.1 million in 2020. However, according to the F&S Report, the average prices of lithium carbonate increased by 178.3% from RMB47,100 per ton in 2020 to RMB131,100 per ton in 2021, which further increased significantly to RMB496,100 per ton in 2022. As a result, the average price of the cathode material for LFP battery products increased by 61.1% from RMB37,300 per ton in 2020 to RMB60,100 per ton in 2021, which further increased by 162.6% to RMB157,800 per ton in 2022. Such increase was primarily due to an overall increase in demand for EVs in the market as the result of rapid development of EV industry. Since our adjustment of selling prices of our battery products lagged behind the increase in purchase prices of raw material in 2021, we recorded a gross loss of RMB324.9 million correspondingly in 2021. Despite the significant increase in prices of raw materials in 2022, we recorded a gross profit of RMB1,088.3 million due to (i) our adjustment of prices of both of our EV and ESS battery products in response to the rapid increase of raw material prices, (ii) our further improved production efficiency, and (iii) our improved product offering. See "Risk Factors – Risks Relating to Our Industry and Business – We are Exposed to Price Fluctuation of Raw Materials."

The following sensitivity analysis illustrates the effects of hypothetical fluctuations in our average price of raw materials on our gross profit/(loss) before income tax for the periods indicated, assuming all other factors affecting our profitability had remained unchanged.

	Year Ended December 31,		
	2020	2021	2022
	(in RMB thousands)		
Change in average price of raw materials			
-/+ 5%	+/-26,855	+/-83,101	+/-541,790
-/+ 10%	+/-53,711	+/-166,202	+/-1,083,579
-/+ 15%	+/-80,566	+/-249,303	+/-1,625,369
-/+ 20%	+/-107,421	+/-322,404	+/-2,167,158

In response to the rapid and sharp fluctuation in prices of raw materials, we took measures such as (i) strategic cooperation with major suppliers of raw materials to lock the price and/or quantity of our key raw materials in advance based on our prudent estimation of market trend and according to our production plan, (ii) adjusting our selling price by entering into supplemental agreements with some of our customers since November 2021 and introducing price adjustment mechanism into contracts with some of our customers in the second quarter of 2022, and (iii) leveraging on our unique supply chain advantages from Tsingshan Group's network to actively help our suppliers to source feedstock materials, such as lithium carbonate, thereby ensuring sufficient supply of our raw materials at competitive prices. Being part of the Tsingshan Group ecosystems facilitates the process of building trusts and business relationships with various raw material suppliers. We will also be able to capitalize on Tsingshan's various strategic endeavors in the upstream of the industry value chain and have opportunities to make strategic investment in upstream raw material suppliers and secure supplies of important raw materials. See "Business – Raw Materials, Components and Suppliers – Raw Materials, Components and Supply Agreements."

Product Mix

We have a diversified product mix. By usage, we offer EV battery products and ESS battery products. By cathode materials, we offer LFP battery products and ternary lithium battery products. By product type, we offer battery cells, battery modules and battery packs (including battery boxes, battery racks and energy storage containers for ESS packs) that can be used for EVs or ESSs. Meanwhile, we offer battery products with a wide range of capacity. Factors such as production process and efficiency and capacity of battery products affect the per Wh manufacturing and direct labor costs, while market acceptance and supply-demand dynamics have strong effect on the per Wh selling price. As such, on a per Wh basis, the selling price and production costs vary widely across our different products, and our profitability has been and will continue to be affected by the mix of our products.

In general, LFP battery products, our main battery products during the Track Record Period, have lower selling prices than ternary lithium battery products, reflecting the cost differences between the major cathode materials. The major cathode materials for LFP battery products is LFP, while the major cathode materials for ternary lithium battery products typically include nickel and cobalt in addition to lithium, combined with aluminum or manganese, which in the aggregate cost more than LFP alone. Small capacity battery products tend to have higher per Wh manufacturing and direct labor cost as the various fixed costs, such as depreciation and amortization of equipment and utility costs, to be borne by a unit of battery would be similar, regardless of the actual energy capacity. Therefore, these small capacity battery products usually have higher per Wh selling prices to cover the higher per Wh costs. To the extent that we are not able to charge a higher selling price or we choose to price these products more competitively, we may sell these products at a loss. During the Track Record Period, the gross loss from the sales of our ESS battery products are partially attributable to the competitive pricing of small capacity battery products. In addition, battery cells, battery modules and battery packs (including battery boxes, battery racks and energy storage containers for ESS packs) involve different levels of production activities and need different amounts of raw materials per Wh, hence the differences in per Wh production costs and selling prices. Battery modules and battery packs typically have higher per Wh selling prices and per Wh production costs than battery cells, as battery modules and battery packs involve more complex manufacturing processes. However, to the extent we are not able to set a price that is sufficient to cover the incremental production costs either as a result of insufficient bargaining power or less-than-optimal production efficiency, we would need to sell these products at a loss, this partially resulted in our gross losses in the past. Lastly, different supply-demand dynamics in different markets can also result in different per Wh selling prices for battery products used for EVs and ESSs.

Research and Development and New Customers Orders

The ability to develop battery technologies and introduce new products that meet the demand and preference of our customers is crucial to our growth. As such, we have devoted significant resources to R&D activities. During the Track Record Period, our R&D expenses increased significantly. Factors such as salaries to our R&D personnel, the purchase of R&D equipment and related increase in depreciation, and the raw materials and consumables expenses have contributed to the increase in our R&D expenses.

Our supply arrangements with our new customers typically require an upfront R&D process for us to tailor our products to the customers' specifications. Such R&D activities would incur expenses and costs, and we may charge those customers a R&D service fee for those R&D activities.

After the R&D process and before a new product enters into mass production stage, we conduct trial production and deliver prototypes to our customers. Prototypes typically have higher selling prices because the production costs are typically higher on per Wh basis at the trial production phase due to the limited output and the time needed to configure the production lines. Historically, the higher selling prices of the prototypes cannot offset the higher per unit production costs, and we were not able to record gross profit from the sale of these prototypes.

The Impact of COVID-19

The outbreak of COVID-19 pandemic has materially and adversely affected the global economy since the first quarter of 2020. In response, the PRC government and the governments of other countries have implemented numerous anti-pandemic measures, including travel bans and restrictions, quarantines, remote work arrangement and shutdowns. Particularly, the resurgence of COVID-19 pandemic due to the transmitted Omicron in the PRC in 2022 resulted in extended duration of aforementioned measures. However, after the new measures issued by the PRC government in late 2022 which aimed to ease the restrictive anti-pandemic measures taken before, substantially all of the cities in the PRC eased or lifted the restrictive measures in January 2023.

During the Track Record Period and up to the Latest Practicable Date, we did not experience temporary closure or shutdown of our offices or production facilities due to the COVID-19 pandemic. However, as a result of those restrictive and anti-pandemic measures implemented before in places where our operation, production and R&D located, the mobility of some of our employees was affected and some of our employees had to work remotely during their quarantine. In particular, during the outbreak of COVID-19 in Shanghai in the first half of 2022, the employees in our R&D department in Shanghai were required to work from home, which resulted in some delay of our R&D processes in certain projects. Such delay only had limited impact on our overall R&D progress, as we managed to catch up the progress very soon after our R&D employees resumed their normal R&D activities. In response, we implemented various precautionary measures and flexibly adjusted work arrangement of our employees in line with government guidelines and regulations, which ensured that we could maintain sufficient number of personnel at our office, production facilities and R&D centers to continue our daily operation, production and R&D activities. We have and will continue to closely track the health and wellness status of our employees by routinely check their temperature before they could enter into our offices and production facilities while the COVID-19 related restrictive and anti-pandemic measures are still in place. Moreover, the construction of ancillary infrastructures and site visits by our customers in some of our production facilities were affected as the result of COVID-19 pandemic prevention and control measures. However, as the new measures issued by the PRC government in late 2022, the construction and site visits in our production facilities that were affected before have already resumed.

As our raw materials suppliers scattered over the country, the production activities of some of them were affected, which in turn resulted in the delay or failure to deliver raw materials we ordered to us. However, such delay or failure to deliver raw materials to us did not materially affect our operation or production activities, because we actively contacted with our suppliers and strategically procured key raw materials in advance according to our production plan, and thus our inventories were sufficient to support our normal production activities to fulfill orders from our clients when abovementioned delay or failure to deliver raw materials occurred. During the Track Record Period and up to the Latest Practicable Date, our production activities have not encountered any material disruption, nor has our product delivery been materially affected by the COVID-19 pandemic.

However, there is no assurance that our operation or production activities will not be affected in the future due to the COVID-19 pandemic and relevant restrictive measures. See "Risk Factors – Risks Relating to Our Industry and Business – We face risks related to health epidemics, including the COVID-19 pandemic, which could have a material adverse effect on our business and results of operations." To address the potential risk, we have a working group in place to monitor and manage the risk in relation to the COVID-19 pandemic according to our emergence management procedures, and have set emergency plans to deal with different levels of outbreak in our offices and production facilities while the COVID related restrictive and anti-pandemic measures are still in place. Accordingly, our Directors believe that the outbreak of COVID-19 has not had, and will not have, any material adverse impact on the Group's business, financial condition or results of operations.

BASIS OF PRESENTATION

Our financial statements have been prepared in accordance with International Financial Reporting Standards (the "IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board. All IFRSs effective for the Track Record Period commencing from 1 January 2022, together with the relevant transitional provisions, have been early adopted by us in the preparation of the financial statement throughout the Track Record Period.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

Note 2.3 to "Appendix I – Accountants' Report" to this document sets forth certain significant accounting policies, which are important for understanding our financial conditions and results of operations. Some of our accounting policies involve subjective assumptions, estimates and judgments that are discussed in note 3 to "Appendix I – Accountants' Report." In the application of our accounting policies, our management is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Our estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. Our estimates and underlying assumptions are reviewed by our management on an ongoing basis. See note 3 to "Appendix I – Accountants' Report."

RESULTS OF OPERATIONS

The table below summarizes our results of operations and as percentages of our total revenue for the periods indicated.

	Year Ended December 31,					
	2020		2021		2022	
	(in RMB thousands, except for percentages)					
Revenue	906,986	100.0%	2,109,144	100.0%	14,647,778	100.0%
Cost of sales	(795,888)	(87.8)%	(2,434,024)	(115.4)%	(13,559,490)	(92.6)%
Gross profit/(loss)	111,098	12.2%	(324,880)	(15.4)%	1,088,288	7.4%
Other income and gains	12,307	1.4%	35,323	1.7%	167,818	1.1%
Selling and distribution expenses	(34,036)	(3.8)%	(72,346)	(3.4)%	(320,795)	(2.2)%
Administrative expenses	(34,007)	(3.7)%	(160,612)	(7.6)%	(346,787)	(2.4)%
R&D expenses	(72,716)	(8.0)%	(245,558)	(11.6)%	(767,685)	(5.2)%
Impairment losses on financial assets, net	(1,951)	(0.2)%	(1,585)	(0.1)%	(81,050)	(0.6)%
Other expenses	(11,199)	(1.2)%	(1,892)	(0.1)%	(75)	(0.0)%
Finance costs	(22,775)	(2.5)%	(32,659)	(1.5)%	(188,925)	(1.3)%
Share of profits and losses of Joint ventures	–	–	–	–	(1,587)	(0.0)%
Loss before tax	(53,279)	(5.9)%	(804,209)	(38.1)%	(450,798)	(3.1)%
Income tax expenses	–	–	–	–	(25)	(0.0)%
Loss for the year	(53,279)	(5.9)%	(804,209)	(38.1)%	(450,823)	(3.1)%
Attributable to:						
Owners of the parent	(40,843)	(4.5)%	(717,227)	(34.0)%	(354,121)	(2.4)%
Non-controlling interests	(12,436)	(1.4)%	(86,982)	(4.1)%	(96,702)	(0.7)%

NON-IFRS MEASURE

To supplement our consolidated statements of profit or loss that are presented in accordance with IFRS, we also use adjusted EBITDA as a non-IFRS measure, which is not required by, or presented in accordance with IFRS. We believe that this non-IFRS measure facilitates comparisons of operating performance from period to period by eliminating potential impacts of certain items. We believe that this measure provides useful information to investors and others in understanding and evaluating our consolidated statements of profit or loss in the same manner as they help our management. However, our presentation of adjusted EBITDA (non-IFRS measure) may not be comparable to similar item measures presented by other companies. The use of this non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, our consolidated statements of profit or loss or financial condition as reported under IFRS.

We define adjusted EBITDA (non-IFRS measure) as (loss)/profit for the year adding back income tax expenses, financial cost, depreciation and amortization and share incentive expense, and deducting interest income. The share incentive expense is non-cash equity-settled employee related expense arising from grant of share incentive awards.

	Year Ended December 31,		
	2020	**2021**	**2022**
	(in RMB thousands, except for percentages)		
Loss for the year	(53,279)	(804,209)	(450,823)
Income tax expenses	–	–	25
Finance cost	22,775	32,659	188,925
Interest income	(2,523)	(9,211)	(96,071)
Depreciation and amortization	89,441	166,371	514,280
Share incentive expense	–	42,608	133,637
Adjusted EBITDA (non-IFRS measure)	**56,414**	**(571,782)**	**289,973**
Adjusted EBITDA margin (non-IFRS measure)	6.2%	(27.1)%	2.0%

We recorded negative adjusted EBITDA (non-IFRS measures) of RMB571.8 million in 2021, primarily due to that we recorded gross loss for the corresponding year. We managed to record positive adjusted EBITDA (non-IFRS measures) of RMB290.0 million in 2022. Such change was primarily because we managed to turn gross loss into gross profit in 2022. See "– Principal Components of Statement of Profit or Loss and Other Comprehensive Income – Gross Profit/(Loss) and Gross Profit Margin."

PRINCIPAL COMPONENTS OF STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

Revenue by Product – Usage

Our revenue is derived from the sales of our battery products, which can be used in EV and ESS, as well as revenue from other businesses. The table below sets forth a breakdown of our revenue by product usage for the periods indicated.

	Year Ended December 31,					
	2020		2021		2022	
	(in RMB thousands, except for percentages)					
EV battery products	673,192	74.2%	981,507	46.5%	4,642,801	31.7%
ESS battery products	182,105	20.1%	859,459	40.7%	8,400,597	57.4%
Other businesses						
Sales of wastes[(1)]	43,744	4.8%	251,167	11.9%	796,789	5.4%
R&D services[(2)]	6,299	0.7%	7,188	0.4%	22,308	0.2%
Others[(3)]	1,646	0.2%	9,823	0.5%	785,283	5.3%
Subtotal	51,689	5.7%	268,178	12.8%	1,604,380	10.9%
Total	**906,986**	**100.0%**	**2,109,144**	**100.0%**	**14,647,778**	**100.0%**

Notes:

(1) The sales of wastes mainly include revenue from sales of used raw materials such as low concentration crude NMP. See "Business – Marketing, Sales and Customers – Our Customers." Starting in July 2022, instead of selling crude NMP, we consigned third-party companies to process the crude NMP, and thus no revenue was recognized from the sales of crude NMP from then on. Under the new arrangement, the processing fees of the crude NMP were included in inventories and recorded as our cost of sales when relevant battery products are sold. Therefore, as the revenue from sales of crude NMP as wastes constituted a substantial majority of the revenue from sales of wastes before adopting the new arrangement, we expect our revenue contribution from sales of wastes as a percentage of our total revenue to decrease significantly going forward.

(2) The revenue from provision of R&D services refers to charges on the customers for the upfront R&D services for the purpose of developing customized battery products.

(3) Others mainly include revenue from sales of battery components.

We pursue a dual-focus strategy on both EV and ESS batteries. During the Track Record Period, revenue from sales of both EV and ESS battery products increased rapidly. In 2020, as some of our EV battery products passed the verification processes required by our EV manufacturer customers, we allocated our increased production capacity to seize the opportunities and satisfy the booming demand from such EV manufacturers, which resulted in a larger revenue contribution from our EV battery products as compared with that of our ESS battery products. In 2021, we strategically increased our sales to ESS manufacturer customers to pursue the growth potential, and thus the revenue contribution from sales of ESS battery products increased to a level similar to sales of EV battery products. In 2022, as a result of the continuous expansion of our production capacity and customer bases, the sales of both of our EV and ESS battery products increased significantly as compared with those in 2021. In particular, the sales of our ESS battery products surpassed the sales of our EV battery products in 2022 primarily due to (i) our further expansion of production capacity in 2022, (ii) our allocation of more increased production capacity to our ESS battery products to meet the increasing downstream demands for our ESS battery products, and (iii) the strong overseas demands for our ESS battery products for both household and commercial industrial applications. The revenue from others increased significantly from RMB9.8 million to RMB785.3 million in 2022, primarily due to a significant increase in sales of battery components since the second half of 2022.

Revenue by Product – Battery Type

	Year Ended December 31,					
	2020		2021		2022	
	(in RMB thousands, except for percentages)					
LFP battery products....	705,148	77.7%	1,739,022	82.5%	12,621,477	86.2%
Ternary lithium battery products....................	150,149	16.6%	101,944	4.8%	421,921	2.9%
Other businesses	51,689	5.7%	268,178	12.7%	1,604,380	10.9%
Total	**906,986**	**100.0%**	**2,109,144**	**100.0%**	**14,647,778**	**100.0%**

During the Track Record Period, we generated a substantial majority of revenue from sales of LFP battery products. The exponential growth of revenue from our LFP battery products during the Track Record Period was mainly attributable to (i) our increased sales volume of ESS battery products, all of which were LFP battery products, and (ii) the preference of LFP battery products of our EV manufacturer customers due to the lower cost and higher battery safety of LFP battery products.

Revenue by Region

	Year Ended December 31,					
	2020		2021		2022	
	(in RMB thousands, except for percentages)					
PRC[(1)]	904,476	99.7%	2,091,700	99.2%	14,480,096	98.8%
Overseas[(1)(2)]...................	2,510	0.3%	17,444	0.8%	167,682	1.2%
Total	**906,986**	**100.0%**	**2,109,144**	**100.0%**	**14,647,778**	**100.0%**

Notes:

(1) Based on the location of our customer who signed the sales and purchase agreements with us. Some of our PRC customers are ESS system integrators that export their products integrating our battery products to overseas end users.

(2) Mainly includes Indonesia, Australia, Morocco, Turkey, India and Belgium.

PRC is our major market, and we generated a substantial majority of revenue from customers in the PRC during the Track Record Period. During the same period, the majority of our revenue from overseas was derived from the direct sales of ESS battery products for industrial uses to overseas customers, the sales volume of which was easily affected by the demands of our customers for their large-scale commercial ESS projects.

Sales Volume and Average Selling Price of Battery Products

	Year Ended December 31,					
	2020		2021		2022	
	Sales volume	Average selling price	Sales volume	Average selling price	Sales volume	Average selling price
	(GWh)	*(RMB/Wh)*	*(GWh)*	*(RMB/Wh)*	*(GWh)*	*(RMB/Wh)*
Product type – Usage						
EV battery products	1.24	0.54	1.87	0.52	6.13	0.76
ESS battery products	0.31	0.59	1.43	0.60	10.48	0.80
Total	**1.55**	**0.55**	**3.30**	**0.56**	**16.61**	**0.79**
Product type – Battery type						
LFP battery products	1.35	0.52	3.14	0.55	16.13	0.78
Ternary lithium battery products	0.20	0.75	0.16	0.64	0.48	0.88
Total	**1.55**	**0.55**	**3.30**	**0.56**	**16.61**	**0.79**
Location of customer						
PRC	1.55	0.55	3.29	0.55	16.46	0.78
Overseas	0.00	0.99	0.01	1.08	0.15	1.08
Total	**1.55**	**0.55**	**3.30**	**0.56**	**16.61**	**0.79**

During the Track Record Period, our sales volume of battery products increased significantly from 1.55GWh in 2020 to 16.61GWh in 2022, representing a CAGR of 227.4%, primarily due to (i) the rapid development of both EV and ESS industries, (ii) the rapid expansion of our production capacity, and (iii) our continuous efforts to expand our customer base. In the same period, the fluctuations in our average selling prices were mainly due to (i) the fluctuation in prevailing market prices of battery products, (ii) the fluctuation in costs of raw materials, and (iii) the adjustment of selling prices of our battery products. During the Track Record Period, the average selling price of our battery products remained relatively stable at RMB0.55 per Wh in 2020 and RMB0.56 per Wh in 2021, and increased to RMB0.79 per Wh in 2022, primarily due to our adjustment of selling prices in response to the increased purchase price of key raw materials.

During the Track Record Period, the average selling prices of our EV battery products were generally lower than those of our ESS battery products, primarily due to different product mix. As compared with our ESS battery products, our EV battery products had a larger proportion of large capacity batteries which generally had lower average selling prices on a per Wh basis.

During the Track Record Period, the average selling prices of LFP battery products were lower than those of ternary lithium battery products, primarily due to the relatively lower cost of raw materials for LFP battery products, which enabled us to set a more competitive price for our LFP battery products.

During the Track Record Period, the average selling prices of our battery products to overseas were higher than those to the PRC primarily due to (i) that products sold to overseas were mainly customized ESS battery products with functions and features catering to the special local conditions, and (ii) the higher costs involved in overseas sales.

Cost of Sales

Cost of Sales by Nature

Our cost of sales primarily consists of (i) raw material costs, including (a) cathode materials, primarily including LFP (for LFP battery products), lithium NCM (for ternary lithium battery products) and aluminum foil, (b) anode materials, primarily including graphite and copper foil, (c) separators, (d) electrolyte solutions, and (e) other materials, primarily including top cover, aluminum shell; (ii) manufacturing costs, including the depreciation and amortization of our plants and other manufacturing costs; (iii) direct labor costs, being the staff-related costs of our manufacturing operations; and (iv) other costs for the sales of wastes, R&D services, and others.

	Year Ended December 31,					
	2020		2021		2022	
	(in RMB thousands, except for percentages)					
Cost of Sales for Battery Products						
Raw material costs						
Cathode materials	191,392	24.0%	661,350	27.2%	6,498,935	47.9%
Anode materials	126,839	15.9%	365,513	15.0%	1,768,638	13.0%
Separators	38,083	4.8%	87,828	3.6%	446,832	3.3%
Electrolyte solutions	56,453	7.1%	268,390	11.0%	1,102,621	8.1%
Other materials	124,339	15.7%	278,938	11.5%	1,018,766	7.6%
Sub-total	537,106	67.5%	1,662,019	68.3%	10,835,792	79.9%
Manufacturing costs						
Depreciation and amortization	48,355	6.1%	98,401	4.0%	341,624	2.5%
Other manufacturing costs	91,321	11.5%	220,149	9.0%	488,410	3.6%
Sub-total	139,676	17.6%	318,550	13.0%	830,034	6.1%
Direct labor costs	71,224	8.9%	174,614	7.2%	499,924	3.7%
Cost of Sales for Other Businesses						
Other costs	47,882	6.0%	278,841	11.5%	1,393,740	10.3%
Total	**795,888**	**100.0%**	**2,434,024**	**100.0%**	**13,559,490**	**100.0%**

Raw materials costs remained the largest component of our cost of sales throughout the Track Record Period. Manufacturing costs and direct labor costs as a percentage of our total costs of sales decreased throughout the Track Record Period primarily due to (i) the increase in raw materials costs as a result of the increase in purchase price of raw materials, and (ii) the improvement of production efficiency and economies of scale. Our other costs increased in absolute terms during the Track Record Period, primarily due to (i) our increased sales of wastes which was in line with our increased production volume of battery products, and (ii) a significant increase in sales of battery components in the second half of 2022. Starting in July 2022, instead of selling crude NMP, which previously constituted a substantial majority of the revenue from sales of wastes, we consigned third-party companies to process the crude NMP. See "– Principal Components of Statement of Profit or Loss and Other Comprehensive Income – Revenue." Therefore, no cost of sales for the selling of crude NMP has been recognized since July 2022, which resulted in a decrease in the other costs overall as a percentage of our total costs in 2022 as compared to 2021.

The table below set forth a breakdown of the unit cost of raw materials and as percentages of unit cost of sales for the periods indicated.

	Year Ended December 31,					
	2020		2021		2022	
	(in RMB per Wh, except for percentages)					
Product type – Usage						
EV battery products	0.33	76.2%	0.47	81.2%	0.64	87.9%
ESS battery products	0.40	60.1%	0.55	73.0%	0.66	89.8%
Product type – Battery type						
LFP battery products	0.32	70.1%	0.49	76.6%	0.64	87.9%
Ternary lithium battery products	0.55	79.3%	0.72	85.0%	0.66	89.8%

Cost of raw materials as percentage of the total cost of sales of each product continued increasing during the Track Record Period driven by both our efforts to improve production efficiency, and shorten the ramp-up period for new production facilities, as well as fluctuations in purchase prices of raw materials. See "– Period-to-Period Comparison of Results of Operations."

Gross Profit/(Loss) and Gross Profit Margin

Gross Profit/(Loss) and Gross Profit Margin by Product – Usage

	Year Ended December 31,					
	2020		2021		2022	
	Gross Profit/(loss)	Gross Profit Margin	Gross Profit/(loss)	Gross Profit Margin	Gross Profit/(loss)	Gross Profit Margin
	(in RMB thousands, except for percentages)					
EV battery products	130,434	19.4%	(103,289)	(10.5)%	146,207	3.1%
ESS battery products	(23,143)	(12.7)%	(210,928)	(24.5)%	731,441	8.7%
Other businesses	3,807	7.4%	(10,663)	(4.0)%	210,640	13.1%
Total	**111,098**	**12.2%**	**(324,880)**	**(15.4)%**	**1,088,288**	**7.4%**

In 2020, we recorded a gross loss of our ESS battery products as compared with a gross profit of our EV battery products in the same year. In 2021, we recorded gross loss for both EV and ESS battery products, while the negative gross profit margin of our ESS battery products was higher than that of our EV battery products. This is primarily due to differences in product mix for EV battery products and ESS battery products. More specifically, our ESS battery products had a higher proportion of small capacity batteries, which were less profitable during the Track Record Period as (i) our production efficiency of small capacity batteries had not achieved the optimal level and was still in the process of improvement, (ii) we set the selling prices of our small capacity batteries at a relatively competitive level to capture our market share, and such pricing in turn prevented us from recouping the higher per Wh costs for those small capacity battery products and (iii) small capacity battery products tend to have higher per Wh manufacturing and direct labor cost as the various fixed costs such as depreciation and amortization of equipment and utility costs to be borne by a unit of battery would be similar, regardless of the actual capacity, which in turn exacerbated the production efficiency issue. We managed to turn the gross loss of our EV and ESS battery products into a gross profit in 2022, primarily due to (i) our adjustment of prices of both of our EV and ESS battery products in response to the rapid increase of raw material prices, which was also in line with the prevailing market trends according to the F&S Report, (ii) our further improved production efficiency, and (iii) our improved product offering. The gross profit margin of our ESS battery products was higher than that of our EV battery products in 2022, primarily due to (i) the higher selling prices of our ESS battery products and (ii) our improved production efficiency of ESS battery products benefited from the economies of scale brought by the larger sales volume of such products in 2022.

In 2022, we also managed to turn the gross loss of our other businesses into gross profit of RMB210.7 million, with a gross profit margin of 13.1%. Such change was primarily due the fact that we significantly increased our sales of battery components in the second half of 2022, which were profitable.

Gross Profit/(Loss) and Gross Profit Margin by Product – Battery Type

	Year Ended December 31,					
	2020		2021		2022	
	Gross Profit/(loss)	Gross Profit Margin	Gross Profit/(loss)	Gross Profit Margin	Gross Profit/(loss)	Gross Profit Margin
	(in RMB thousands, except for percentages)					
LFP battery product	96,286	13.7%	(280,103)	(16.1)%	837,446	6.6%
Ternary lithium battery products	11,005	7.3%	(34,114)	(33.5)%	40,202	9.5%
Other businesses	3,807	7.4%	(10,663)	(4.0)%	210,640	13.1%
Total	**111,098**	**12.2%**	**(324,880)**	**(15.4)%**	**1,088,288**	**7.4%**

During the Track Record Period, the gross profit or loss from the sales of our LFP battery products was primarily affected by (i) the fluctuation in purchase prices of raw materials, (ii) the release of the benefit of economies of scale as the result of our expansion of production capacity, (iii) the prevailing industry trend, and (iv) product mix, particularly in different battery capacity. The gross profit or loss from the sales of our ternary lithium battery products experienced stronger fluctuation during the Track Record Period, primarily due to (i) the relatively small production volume of our ternary lithium battery products as a result of the then limited production capacity and we were yet to form economies of scale, and (ii) the strong fluctuation in purchase prices of cathode materials of ternary lithium battery products.

Gross Profit/(Loss) and Gross Profit Margin by Region

	Year Ended December 31,					
	2020		2021		2022	
	Gross Profit/(loss)	Gross Profit Margin	Gross Profit/(loss)	Gross Profit Margin	Gross Profit/(loss)	Gross Profit Margin
	(in RMB thousands, except for percentages)					
PRC	109,805	12.1%	(333,607)	(15.9)%	1,071,086	7.4%
Overseas	1,293	51.5%	8,727	50.0%	17,202	10.3%
Total	**111,098**	**12.2%**	**(324,880)**	**(15.4%)**	**1,088,288**	**7.4%**

During the Track Record Period, sales to overseas customers were more profitable than sales to domestic customers primarily because the products we sold to overseas were mainly customized ESS battery packs that commanded higher selling prices and resulted in a higher gross profit margin. In 2022, the gross profit margin for the sales to overseas decreased from 51.5% in 2020 and 50.0% in 2021 to 10.3% in 2022, primarily because (i) the competitive prices we offered to our overseas customers in 2022 due to the increasing competition in overseas markets and in consideration of obtaining more market share, and (ii) the rapid increase in raw material prices in 2022.

Other Income and Gains

Our other income and gains primarily comprise (i) government grants, (ii) interest income, (iii) foreign exchange gains, net, (iv) financial assets at fair value through profit or loss, and (v) others. Our government grants included (i) government grants related to assets, which were primarily related to our investment in equipment and plant, and (ii) government grants related to income, which were primarily subsidies for our R&D activities. None of these government grants are subject to any unfulfilled condition.

	Year Ended December 31,					
	2020		2021		2022	
	(in RMB thousands, except for percentages)					
Government grants						
Related to assets	2,098	17.0%	4,032	11.4%	8,939	5.3%
Related to income	6,936	56.4%	15,533	44.0%	43,196	25.7%
Interest income	2,523	20.5%	9,211	26.0%	96,071	57.2%
Foreign exchange gains, net	–	–	4,939	14.0%	11,962	7.1%
Financial assets at fair value through profit or loss	–	–	–	–	2,186	1.3%
Others	750	6.1%	1,608	4.6%	5,464	3.4%
Total	**12,307**	**100.0%**	**35,323**	**100.0%**	**167,818**	**100.0%**
as % of Total Revenue		*1.4%*		*1.7%*		*1.1%*

Selling and Distribution Expenses

Our selling and distribution expenses primarily include (i) warranties granted to the battery products sold and after services, (ii) salaries and welfare for employees for our sales and distribution personnel, (iii) marketing fees, (iv) entertainment fees incurred from our sales and marketing activities, (v) traveling expenses, (vi) depreciation and amortization for properties and equipment related to selling and distribution activities, and (vii) share incentive expense.

	Year Ended December 31,					
	2020		2021		2022	
	(in RMB thousands, except for percentages)					
Warranties and after services	20,061	58.9%	36,652	50.7%	239,078	74.5%
Salaries and welfare	6,640	19.5%	20,766	28.7%	37,964	11.8%
Marketing fees	3,338	9.8%	5,381	7.4%	8,270	2.6%
Entertainment fees	1,854	5.4%	2,755	3.8%	6,135	1.9%
Traveling expenses	1,211	3.6%	2,664	3.7%	3,458	1.1%
Depreciation and amortization	58	0.2%	459	0.6%	6,176	1.9%
Share incentive expense	–	–	–	–	550	0.2%
Others	874	2.6%	3,669	5.1%	19,164	6.0%
Total	**34,036**	**100.0%**	**72,346**	**100.0%**	**320,795**	**100.0%**
as % of Total Revenue		*3.8%*		*3.4%*		*2.2%*

During the Track Record Period, expenses for warranties and after services were the largest component of our selling and distribution expenses. As expenses for warranties and after services are directly linked to our sales volume, we expect such expenses to grow in line with our sales and account for an increasing proportion of our selling and distribution expenses.

Administrative Expenses

Our administrative expenses primarily comprise (i) salaries and welfare for our administrative personnel, (ii) office expenses, (iii) depreciation and amortization for properties and equipment related to administrative activities, (iv) consultancy fee paid to various agencies such as audit, applications of patents and legal advice, (v) traveling expenses, (vi) taxes, and (vii) share incentive expense.

	Year Ended December 31,					
	2020		2021		2022	
	(in RMB thousands, except for percentages)					
Salaries and welfare	12,043	35.4%	71,034	44.2%	129,016	37.2%
Office expenses	3,368	9.9%	23,828	14.8%	24,685	7.1%
Depreciation and amortization	9,664	28.4%	15,949	9.9%	48,927	14.1%
Consultancy fee	2,828	8.3%	8,293	5.2%	18,066	5.2%
Traveling expenses	482	1.4%	1,349	0.8%	2,101	0.6%
Taxes	3,065	9.0%	3,768	2.3%	22,040	6.4%
Share incentive expense	–	–	29,706	18.5%	90,121	26.0%
Others	2,557	7.6%	6,685	4.3%	11,831	3.4%
Total	**34,007**	**100.0%**	**160,612**	**100.0%**	**346,787**	**100.0%**
as % of Total Revenue		*3.7%*		*7.6%*		*2.4%*

Our consultancy fee increased from RMB2.8 million in 2020 to RMB8.3 million in 2021 and further increased to RMB18.1 million in 2022, primarily due to the growth of our business, which required for more expertise in areas, such as auditing, legal advice, environmental consultancy and talent recruiting.

Research and Development Expenses

Our R&D expenses primarily comprise (i) salaries and welfare for R&D personnel, (ii) expenses for raw materials and consumables used in our R&D activities, (iii) depreciation and amortization of facilities and equipment for R&D activities, (iv) consultancy fee for R&D activities in relation to consigned R&D, intelligent property agency and expert consultancy, (v) share incentive expense, (vi) office expenses, and (vii) traveling expenses.

	Year Ended December 31,					
	2020		2021		2022	
	(in RMB thousands, except for percentages)					
Salaries and welfare	40,122	55.2%	118,706	48.3%	390,586	50.9%
Raw materials and consumables	17,142	23.6%	74,554	30.4%	223,760	29.1%
Depreciation and amortization	12,102	16.6%	17,720	7.2%	44,993	5.9%
Consultancy fee	19	0.0%	1,205	0.5%	19,972	2.6%
Share incentive expense	–	–	12,903	5.3%	41,272	5.4%
Office expenses	170	0.2%	6,778	2.8%	28,338	3.7%
Traveling expense	357	0.5%	838	0.3%	2,641	0.3%
Others[1]	2,804	3.9%	12,854	5.2%	16,123	2.1%
Total	**72,716**	**100.0%**	**245,558**	**100.0%**	**767,685**	**100.0%**
as % of Total Revenue		*8.0%*		*11.6%*		*5.2%*

(1) Mainly including testing fees and maintenance expense.

During the Track Record Period, the salaries and welfare remained as the largest part of our research and development expenses, the amount of which increased from RMB40.1 million in 2020 to RMB118.7 million in 2021 and further increased to RMB390.6 million in 2022, primarily due to an increase in number of R&D personnel and an increase in per capita salaries to attract more talents.

During the Track Record Period, the consultancy fee increased from RMB19,000 in 2020 to RMB1.2 million in 2021, and further increased to RMB20.0 million in 2022, primarily due to the increasing need of external professional advice and expertise in relation to our R&D activities in response to the overall growth of our business and different needs of our customers.

During the Track Record Period, the amount of others increased from RMB2.8 million in 2020 to RMB12.9 million in 2021, and further to RMB16.1 million in 2022, primarily due to the overall growth of our business which requires more R&D activities, which incurred more fees and expenses for sample testing and R&D equipment.

Finance Costs

Our finance costs primarily comprise (i) interest expenses on bank loans and other loans, and (ii) interest expenses on lease liabilities.

The table below sets forth a breakdown of our finance costs and as percentages of our total revenue for the periods indicated.

	Year Ended December 31,					
	2020		2021		2022	
	(in RMB thousands, except for percentages)					
Interest expenses on bank loans and other loans	11,851	52.0%	30,673	93.9%	227,390	120.4%
Interest expenses on lease liabilities	10,924	48.0%	1,986	6.1%	1,814	0.9%
Less: interest capitalized[1]	–	–	–	–	(40,279)	(21.3)%
Total	**22,775**	**100.0%**	**32,659**	**100.0%**	**188,925**	**100.0%**
as % of Total Revenue		*2.5%*		*1.5%*		*1.3%*

Note:

(1) Interests on borrowings for construction of our production facilities in 2022 were capitalized.

Income Tax Expenses

We did not record income tax expenses in 2020 and 2021, primarily due to that we recorded loss before tax during the Track Record Period. We recorded income tax expenses of RMB25,000 in 2022, primarily due to that one of our subsidiaries recorded profit for the year of 2022.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year Ended December 31, 2022 Compared to Year Ended December 31, 2021

Revenue

	Year Ended December 31,		
	2021	**2022**	**% Change**
	(in RMB thousands, except for percentages)		
Revenue			
EV battery products	981,507	4,642,801	373.0%
ESS battery products	859,459	8,400,597	877.4%
Other businesses	268,178	1,604,380	498.3%
Total	**2,109,144**	**14,647,778**	**594.5%**

Our revenue increased significantly from RMB2,109.1 million in 2021 to RMB14,647.8 million in 2022, primarily due to the strong growth in revenues from all our products.

EV Battery Products

	Year Ended December 31,		
	2021	**2022**	**% Change**
	(in RMB thousands, except for percentages)		
EV battery products	981,507	4,642,801	373.0%
Percentage of revenue	*46.5%*	*31.7%*	

	Year Ended December 31,		
	2021	**2022**	**% Change**
EV battery products			
Sales volume (GWh)	1.87	6.13	227.8%
Average selling price (RMB/Wh)	0.52	0.76	46.2%

Our revenue from sales of EV battery products increased significantly from RMB981.5 million in 2021 to RMB4,642.8 million in 2022, primarily due to (i) a 227.8% increase in sales volume from 1.87GWh in 2021 to 6.13GWh in 2022, which was attributable to (a) the rapid development of EV industry in the PRC, (b) our continuous effort to expand our customer base of our EV battery products from 78 customers in 2021 to 147 customers in 2022, and (c) the expansion of our effective production capacity, and (ii) a 46.2% increase in average selling price from RMB0.52 per Wh in 2021 to RMB0.76 per Wh in 2022, which was primarily attributable to our update of selling prices in response to the increased purchase price of key raw materials. In response to raw material price increase, in November 2021, we started to adjust our pricing by entering into supplemental agreements with our customers. In the second quarter of 2022, we started to introduce price adjustment mechanism into our contracts with customers in response to fluctuations in raw material prices. The new pricing mechanism is made possible by the market dynamics and our stronger bargaining power. The higher selling price of our EV battery products was also in line with the prevailing trend in the EV battery market.

ESS Battery Products

	Year Ended December 31,		
	2021	**2022**	**% Change**
	(in RMB thousands, except for percentages)		
ESS battery products	859,459	8,400,597	877.4%
Percentage of revenues	*40.7%*	*57.4%*	

	Year Ended December 31,		
	2021	**2022**	**% Change**
ESS battery products			
Sales volume (GWh)	1.43	10.48	632.9%
Average selling price (RMB/Wh)	0.60	0.80	33.3%

Our revenue from sales of ESS battery products increased significantly from RMB859.5 million in 2021 to RMB8,400.6 million in 2022, primarily due to (i) a significant increase in sales volume from 1.43GWh in 2021 to 10.48GWh in 2022, which was attributable to (a) the rapid development of the global ESS industry and our allocation of more resources to develop our ESS battery products in responses to the increase in market demand, (b) the expansion of our effective production capacity, and (c) our continuous efforts in expanding our customer base of our ESS battery products from 206 customers in 2021 to 273 customers in 2022, and (ii) a 33.3% increase in the average selling price from RMB0.60 per Wh in 2021 to RMB0.80 per Wh in 2022, primarily due to our adjustment of selling prices in response to the increased purchase price of key raw materials. The higher selling price of our ESS battery products was also in line with the prevailing trend in the ESS battery market.

Other Businesses

Our revenue from other businesses increased significantly from RMB268.2 million in 2021 to RMB1,604.4 million in 2022, primarily due to a significant increase in revenue from sales of wastes and others, which was attributable to (i) an increase in sales of wastes, primarily crude NMP, generated in our manufacturing process, which was in line with our rapidly increased production volume of battery products, (ii) an increase in average selling price of wastes due to the increase in market prices of raw materials that could be recycled from the wastes, and (iii) a significant increase in sales of battery components in 2022. Despite the increase in an absolute amount from 2021 to 2022, the revenue from sales of wastes as a percentage of our total revenue decreased from 11.9% in 2021 to 5.4% in 2022, primarily due to our adoption of new arrangement for the disposal of crude NMP since July 2022. See "– Principal Components of Statement of Profit or Loss and Other Comprehensive Income – Revenue – Revenue by Product – Battery Type."

Cost of Sales

	Year Ended December 31,		
	2021	**2022**	**% Change**
	(in RMB thousands, except for percentages)		
Cost of Sales for Battery Products			
Cost of sales			
Raw material costs			
Cathode materials	661,350	6,498,935	882.7%
Anode materials	365,513	1,768,638	383.9%
Separators	87,828	446,832	408.8%
Electrolytes	268,390	1,102,621	310.8%
Other materials	278,938	1,018,766	265.2%
Sub-total	1,662,019	10,835,792	552.0%
Manufacturing costs			
Depreciation and amortization	98,401	341,624	247.2%
Other manufacturing costs	220,149	488,410	121.9%
Sub-total	318,550	830,034	160.6%
Direct labor costs	174,614	499,924	186.3%
Cost of Sales for Other Businesses			
Other costs	278,841	1,393,740	399.8%
Total	**2,434,024**	**13,559,490**	**457.1%**
Percentage of revenue	*115.4%*	*92.6%*	

Our cost of sales increased significantly from RMB2,434.0 million in 2021 to RMB13,559.5 million in 2022, primarily due to (i) a 552.0% increase in raw materials costs, as a result of (a) a 403.3% increase in sales volume of our battery products, and (b) an increase in purchase prices of raw materials; (ii) a 160.6% increase in manufacturing costs as a result of our increased number of production facilities in operation in 2022 and the 403.3% increase in sales volume; (iii) a 186.3% increase in direct labor costs as a result of an increase in the number of our production employees from approximately 3,231 as of December 31, 2021 to approximately 5,249 as of December 31, 2022 and the 403.3% increase in sales volume; and (iv) a significant increase in other costs, as a result of an (a) increase in costs for sales of wastes, which was mainly attributable to an increase in the production volume of our battery products and (b) a significant increase in sales of battery components since the second half of 2022.

Cost of Raw Materials Per Wh

	Year Ended December 31,		
	2021	**2022**	**% Change**
	(in RMB per Wh, except for percentages)		
EV battery products	0.47	0.64	36.2%
Percentage of per unit cost of sales	*81.2%*	*87.9%*	
ESS battery products	0.55	0.66	20.0%
Percentage of per unit cost of sales	*73.0%*	*89.8%*	
Total	0.50	0.65	30.0%
Percentage of per unit cost of sales	*77.1%*	*89.1%*	

Due to a rapid increase in the purchase prices of our raw materials, the unit cost of raw materials for our EV battery products increased by 36.2% from RMB0.47 per Wh in 2021 to RMB0.64 per Wh in 2022. For the same reason, the unit cost of raw materials for ESS battery products increased by 20.0% from RMB0.55 per Wh in 2021 to RMB0.66 per Wh in 2022. Due to the increasing raw material costs and our continuous efforts to improve the production efficiency which lowered the unit manufacturing and direct labor costs, the unit cost of raw materials as a percentage of unit cost of sales of our EV battery products and ESS battery products increased from 81.2% and 73.0% in 2021 to 87.9% and 89.8% in 2022, respectively.

Manufacturing Costs Per Wh

	Year Ended December 31,		
	2021	**2022**	**% Change**
	(in RMB per Wh, except for percentages)		
EV battery products	0.07	0.06	(14.3)%
Percentage of per unit cost of sales	*12.3%*	*7.7%*	
ESS battery products	0.13	0.05	(61.5)%
Percentage of per unit cost of sales	*17.3%*	*6.3%*	
Total	0.10	0.05	(50.0)%
Percentage of per unit cost of sales	*14.8%*	*6.8%*	

Direct Labor Costs Per Wh

	Year Ended December 31,		
	2021	**2022**	**% Change**
	(in RMB per Wh, except for percentages)		
EV battery products	0.04	0.03	(25.0)%
Percentage of per unit cost of sales	*6.5%*	*4.4%*	
ESS battery products	0.07	0.03	(57.1)%
Percentage of per unit cost of sales	*9.7%*	*3.9%*	
Total	0.05	0.03	(40.0)%
Percentage of per unit cost of sales	*8.1%*	*4.1%*	

In 2022, both of our unit manufacturing costs and direct labor costs decreased both in absolute terms and as a percentage of our unit cost of sales, reflecting further improvement of our production efficiency.

Gross Profit/(Loss) and Gross Profit Margin

	Year Ended December 31,	
	2021	**2022**
	(in RMB thousands, except for percentages)	
Gross Profit/(Loss)		
EV Battery Products	(103,289)	146,207
ESS Battery Products	(210,928)	731,441
Other businesses	(10,663)	210,640
Total	**(324,880)**	**1,088,288**
Gross Profit/(loss) Margin	*(15.4)%*	*7.4%*

We managed to turn the gross loss of both of our EV and ESS battery products into gross profit in 2022 and recorded a gross profit of RMB1,088.3 million in total, with a gross profit margin of 7.4%. Such change was primarily due to (i) our adjustment of prices of our ESS battery products in response to the rapid increase of raw material prices, which was also in line with the prevailing market trends according to the F&S Report, (ii) our further improved production efficiency, and (iii) our improved product offering.

In 2022, our battery products average selling price increased by 41.1% to RMB0.79 per Wh from RMB0.56 per Wh, which reflected our efforts in adjusting our selling price in response to raw material price increase and our stronger bargaining power. In particular, in response to raw material price increase, in November 2021, we started to adjust our pricing by entering into supplemental agreements with our customers. In the second quarter of 2022, we started to introduce price adjustment mechanism into our contracts with customers in response to fluctuations in raw material prices. The new pricing mechanism is made possible by the market dynamics and our stronger bargaining power.

On the other hand, our per unit cost of sales for our battery products increased by 12.3% from RMB0.65 per Wh in 2021 to RMB0.73 per Wh in 2022, among which (i) our raw material costs increased by 30.0% from RMB0.50 per Wh in 2021 to RMB0.65 per Wh in 2022 primarily due to increases in raw material prices; (ii) our manufacturing costs decreased by 50.0% from RMB0.10 per Wh in 2021 to RMB0.05 per Wh in 2022, and our direct labor costs decreased by 40.0% from RMB0.05 per Wh in 2021 to RMB0.03 per Wh in 2022, primarily due to (i) our continuous efforts in improving production efficiency, and (ii) the benefit of economies of scale as we further increase our production capacity.

EV Battery Products

	Year Ended December 31,			
	2021		2022	
	(in RMB thousands, except for percentages)			
	Gross Profit/(Loss)	Gross Profit Margin	Gross Profit/(Loss)	Gross Profit Margin
EV battery products	(103,289)	(10.5)%	146,207	3.1%

We managed to turn the gross loss from our EV battery products of RMB103.3 million with negative gross profit margin of 10.5% in 2021 to gross profit of RMB146.2 million with gross profit margin of 3.1% in 2022, primarily due to (i) a 46.2% increase in the average selling price of our EV battery products from RMB0.52 per Wh in 2021 to RMB0.76 per Wh in 2022 as we adjusted our selling prices in response to the rapid increase in purchase price of key raw materials in 2022, and (ii) a 14.3% decrease in unit manufacturing cost of our EV battery products from RMB0.07 per Wh in 2021 to RMB0.06 per Wh in 2022, and a 25.0% decrease in unit direct labor costs of our EV battery products from RMB0.04 per Wh in 2021 to RMB0.03 per Wh in 2022, as a result of our economies of scale as we expanded our production capacity and improved production efficiency. The 36.2% increase in unit cost of raw materials from RMB0.47 per Wh in 2021 to RMB0.64 per Wh in 2022 partially offset the gain from higher average selling prices and lower manufacturing costs.

ESS battery products

	Year Ended December 31,			
	2021		2022	
	(in RMB thousands, except for percentages)			
	Gross Profit/(Loss)	Gross Profit Margin	Gross Profit/(Loss)	Gross Profit Margin
ESS battery products	(210,928)	(24.5)%	731,441	8.7%

We managed to turn the gross loss from our ESS battery products of RMB210.9 million with a negative profit margin of 24.5% in 2021 to the gross profit of RMB731.4 million with a gross profit margin of 8.7% in 2022. Such change was primarily due to (i) a 33.3% increase in the average selling price of our ESS battery products from RMB0.60 per Wh in 2021 to RMB0.80 per Wh in 2022 as we adjusted our selling prices of some ESS battery products in responses to the rapid increase in purchase prices of raw materials, and (ii) a 61.5% decrease in unit manufacturing costs of our ESS battery products from RMB0.13 per Wh in 2021 to RMB0.05 per Wh in 2022 and a 57.1% decrease in unit direct labor costs of our ESS battery products from RMB0.07 per Wh in 2021 to RMB0.03 per Wh in 2022, as a result of our economies of scale as we rapidly increased our production capacity and improved production efficiency. The 20.0% increase in unit cost of raw materials from RMB0.55 per Wh in 2021 to RMB0.66 per Wh in 2022 partially offset the gain from higher average selling prices and lower manufacturing and direct labor costs.

Other Income and Gains

Other income and gains increased by 375.1% from RMB35.3 million in 2021 to RMB167.8 million in 2022, primarily due to (i) an increase in interest income of RMB86.9 million, which was attributable to an increase in our time deposits, and (ii) an increase in government grants of RMB32.6 million as subsidies for our construction of production facilities and contributions for the development of local economies.

Selling and Distribution Expenses

	Year Ended December 31,		
	2021	2022	% Change
	(in RMB thousands, except for percentages)		
Selling and distribution expenses	72,346	320,795	343.4%
Percentage of revenue	*3.4%*	*2.2%*	

Selling and distribution expenses increased by 343.4% from RMB72.3 million in 2021 to RMB320.8 million in 2022, primarily due to (i) a significant increase in warranties and after services fees of RMB202.4 million, attributable to an increase in sales volume of our battery products, and (ii) an increase in salaries and welfare of RMB17.2 million, attributable to an increase in the number of our sales employees and the increased per capita salaries. As a percentage of our revenue, selling and distribution expenses decreased from 3.4% in 2021 to 2.2% in 2022 as we achieved improved economies of scale along with our business growth.

Administrative Expenses

	Year Ended December 31,		
	2021	2022	% Change
	(in RMB thousands, except for percentages)		
Administrative expenses	160,612	346,787	115.9%
Percentage of revenue	*7.6%*	*2.4%*	

Administrative expenses increased by 115.9% from RMB160.6 million in 2021 to RMB346.8 million in 2022, primarily due to (i) an increase in salaries and welfare of RMB58.0 million, attributable to an increase in number of our administrative personnel for our expansion and an increase in per capita salaries, (ii) an increase in depreciation and amortization of RMB33.0 million attributable to our purchase of properties and equipment related to administrative activities for our expansion, and (iii) an increase in share incentive expense of RMB60.4 million. As a percentage of our revenue, administrative expenses decreased from 7.6% in 2021 to 2.4% in 2022, primarily due to stronger economies of scale and the improvement of our efficiency in management.

Research and Development Expenses

	Year Ended December 31,		
	2021	**2022**	**% Change**
	(in RMB thousands, except for percentages)		
R&D expenses	245,558	767,685	212.6%
Percentage of revenue	*11.6%*	*5.2%*	

R&D expenses increased by 212.6% from RMB245.6 million in 2021 to RMB767.7 million in 2022, primarily due to (i) an increase in salaries and welfare of RMB271.9 million attributable to an increase in number of R&D personnel and an increase in per capita salaries to attract more talents, (ii) an increase in expenses for raw materials and consumables of RMB149.2 million for our increased R&D activities, and (iii) an increase in share incentive expense of RMB28.4 million. As a percentage to our revenue, R&D expenses decreased from 11.6% in 2021 to 5.2% in 2022, as we achieved better economies of scale.

Impairment Losses on Financial Assets

Our net impairment losses on financial assets increased significantly from RMB1.6 million in 2021 to RMB81.1 million in 2022, primarily due to the fact that we recorded an amount of impairment losses for one of our customers because of its deteriorate liquidity position.

Other Expenses

We recorded other expenses of RMB1.9 million in 2021, while our other expenses in 2022 was RMB75,000.

Finance Costs

Our finance costs increased significantly from RMB32.7 million in 2021 to RMB188.9 million in 2022, primarily due to the increase in interest-bearing bank borrowings to finance the construction of our production facilities and daily operation. See "– Indebtedness."

Loss for the Year

As a result of the foregoing, our loss for the year decreased from RMB804.2 million in 2021 to RMB450.8 million in 2022.

Year Ended December 31, 2021 Compared to Year Ended December 31, 2020

Revenue

	Year ended December 31,		
	2020	**2021**	**% Change**
	(in RMB thousands, except for percentages)		
Revenue			
EV battery products	673,192	981,507	45.8%
ESS battery products	182,105	859,459	372.0%
Other businesses	51,689	268,178	418.8%
Total	**906,986**	**2,109,144**	**132.5%**

Our revenue increased by 132.5% from RMB907.0 million in 2020 to RMB2,109.1 million in 2021, primarily due to the growth in revenues from all our products, particularly the strong growth in revenue from our ESS battery products.

EV Battery Products

	Year ended December 31,		
	2020	**2021**	**% Change**
	(in RMB thousands, except for percentages)		
EV battery products	673,192	981,507	45.8%
Percentage of revenue	*74.2%*	*46.5%*	

	Year ended December 31,		
	2020	**2021**	**% Change**
EV battery products			
Sales volume (GWh)	1.24	1.87	50.8%
Average selling price (RMB/Wh)	0.54	0.52	(3.7)%

Our revenue from sales of EV battery products increased by 45.8% from RMB673.2 million in 2020 to RMB981.5 million in 2021, primarily due to a 50.8% increase in sales volume from 1.24 GWh in 2020 to 1.87 GWh in 2021, which was attributable to (i) our expansion of effective production capacity from 3,260 MWh in 2020 to 4,239 MWh in 2021, and (ii) our continuous efforts to expand our customer base of our EV battery products from 41 customers in 2020 to 78 customers in 2021. Such increase was partially offset by a 3.7% decrease in the average selling price of our EV battery products from RMB0.54 per Wh in 2020 to RMB0.52 per Wh in 2021, which was in line with the market trend in 2021, despite the increase in purchase prices of raw materials.

ESS Battery Products

	Year ended December 31,		
	2020	2021	% Change
	(in RMB thousands, except for percentages)		
ESS battery products	182,105	859,459	372.0%
Percentage of revenues	*20.1%*	*40.7%*	

	Year ended December 31,		
	2020	2021	% Change
ESS battery products			
Sales volume (GWh)	0.31	1.43	361.3%
Average selling price (RMB/Wh)	0.59	0.60	1.7%

Our revenue from sales of our ESS battery products increased significantly from RMB182.1 million in 2020 to RMB859.5 million in 2021, primarily due to a significant increase in our sales volume of ESS battery products from 0.31GWh in 2020 to 1.43GWh in 2021, which was attributable to (i) the rapid growth of ESS industry, (ii) rapid expansion of our effective production capacity from 3,260 MWh in 2020 to 4,239 MWh in 2021 and strategic allocation of resources to ESS battery products to implement our dual-focus strategy on both EV and ESS, and (iii) our continuous efforts to expand our customer base of our ESS battery products from 156 customers in 2020 to 206 customers in 2021. The average selling price of our ESS battery product remained relatively stable at RMB0.59 per Wh in 2020 and RMB0.60 per Wh in 2021, which was in line with the industry pricing trend of ESS battery products in 2021, despite the increase in purchase prices of raw materials.

The above mismatch between the market trend of the average selling prices of EV and ESS battery products and the purchase prices of raw materials in 2021 was primarily due to that the adjustment in selling prices by the manufacturers lagged behind the increase in purchase prices of raw materials. According to the F&S Report, the rapid increase in purchase prices of raw materials mainly happened by the end of 2021, while the manufacturers of lithium-ion battery products did not manage to adjust their selling prices correspondingly in the same year given the limitation of time.

Other Businesses

Our revenue from other businesses increased significantly from RMB51.7 million in 2020 to RMB268.2 million in 2021, primarily due to a significant increase in revenue from sales of wastes, which was attributable to (i) an increase in sales of wastes, primarily crude NMP, generated in our manufacturing process, which was in line with the increase in our production volume, and (ii) an increase in average selling prices of wastes due to the increased market prices of raw materials that could be recycled from the wastes.

Cost of Sales

	Year ended December 31,		
	2020	**2021**	**% Change**
	(in RMB thousands, except for percentages)		
Cost of Sales for Battery Products			
Cost of sales			
Raw material costs			
Cathode materials	191,392	661,350	245.5%
Anode materials	126,839	365,513	188.2%
Separators	38,083	87,828	130.6%
Electrolytes	56,453	268,390	375.4%
Other materials	124,339	278,938	124.3%
Sub-total	537,106	1,662,019	209.4%
Manufacturing costs			
Depreciation and amortization	48,355	98,401	103.5%
Other manufacturing costs	91,321	220,149	141.1%
Sub-total	139,676	318,550	128.1%
Direct labor costs	71,224	174,614	145.2%

	Year ended December 31,		
	2020	**2021**	**% Change**
	(in RMB thousands, except for percentages)		
Cost of Sales for Other Businesses			
Other costs	47,882	278,841	482.4%
Total	**795,888**	**2,434,024**	**205.8%**
Percentage of revenue	*87.8%*	*115.4%*	

Our cost of sales increased by 205.8% from RMB795.9 million in 2020 to RMB2,434.0 million in 2021, primarily due to (i) an 209.4% increase in cost of raw materials, as a result of (a) a 114.3% increase in the sales volume of our battery products in 2021, and (b) an increase in the purchase prices of our raw materials, such as lithium carbonate in 2021; (ii) a 128.1% increase in manufacturing costs as a result of a 114.3% increase in sales volume of our battery products in 2021; (iii) a 145.2% increase in direct labor costs as a result of a 114.3% increase in sales volume of our battery products, and (iv) a significant increase in other costs, primarily due to the increase in costs for sales of wastes, attributable to an increase in the production volume of our battery products.

Cost of Raw Materials Per Wh

	Year Ended December 31,		
	2020	**2021**	**% Change**
	(in RMB per Wh, except for percentages)		
EV battery products	0.33	0.47	42.4%
Percentage of per unit cost of sales	*76.2%*	*81.2%*	
ESS battery products	0.40	0.55	37.5%
Percentage of per unit cost of sales	*60.1%*	*73.0%*	
Total	0.35	0.50	42.9%
Percentage of per unit cost of sales	*71.8%*	*77.1%*	

Due to the rapid increase in the purchase prices of our raw materials, the unit cost of raw materials for our EV battery products increased by 42.4% from RMB0.33 per Wh in 2020 to RMB0.47 per Wh in 2021. For the same reason, the unit cost of raw materials for our ESS battery products increased by 37.5% from RMB0.40 per Wh in 2020 to RMB0.55 per Wh in 2021. Due to the increasing raw material costs and our continuous efforts to improve the production efficiency which lowered the unit manufacturing and direct labor costs, the unit cost of raw materials as a percentage of the unit cost of sales of both of our EV and ESS battery products increased from 76.2% and 60.1% in 2020 to 81.2% and 73.0% in 2021, respectively.

Manufacturing Costs Per Wh

	Year Ended December 31,		
	2020	**2021**	**% Change**
	(in RMB per Wh, except for percentages)		
EV battery products	0.07	0.07	–
Percentage of per unit cost of sales	*15.7%*	*12.3%*	
ESS battery products	0.18	0.13	(27.8)%
Percentage of per unit cost of sales	*26.5%*	*17.3%*	
Total	0.09	0.10	11.1%
Percentage of per unit cost of sales	*18.7%*	*14.8%*	

Direct Labor Costs Per Wh

	Year Ended December 31,		
	2020	**2021**	**% Change**
	(in RMB per Wh, except for percentages)		
EV battery products	0.04	0.04	–
Percentage of per unit cost of sales	*8.1%*	*6.5%*	
ESS battery products	0.09	0.07	(22.2)%
Percentage of per unit cost of sales	*13.4%*	*9.7%*	
Total	0.05	0.05	–
Percentage of per unit cost of sales	*9.5%*	*8.1%*	

In 2021, our unit manufacturing and direct labor costs remained relatively stable in absolute terms as compared with 2020, while decreased significantly as a percentage of our unit cost of sales from 2020. The unit manufacturing costs for our EV battery products increased from RMB0.09 per Wh in 2020 to RMB0.10 per Wh in 2021, primarily as a result of increase in sales volume of our ESS battery products, which include a higher proportion of small capacity battery products which generally have higher per unit manufacturing cost.

Gross Profit/(Loss) and Gross Profit Margin

	Year ended December 31,	
	2020	**2021**
	(in RMB thousands, except for percentages)	
Gross Profit/(Loss)		
EV Battery Products	130,434	(103,289)
ESS Battery Products	(23,143)	(210,928)
Others	3,807	(10,663)
Total	**111,098**	**(324,880)**
Gross Profit/(loss) Margin	*12.2%*	*(15.4)%*

We recorded gross profit of RMB111.1 million in 2020, with gross profit margin of 12.2%. However, our gross profit turned into gross loss of RMB324.9 million in 2021, with negative gross profit margin of 15.4%. Such change was primarily due to that (i) our EV battery products recorded gross loss in 2021 instead of gross profit as in 2020, and (ii) our gross loss from ESS battery products further increased.

In 2021, our battery products average selling price remained relatively stable at RMB0.56 per Wh as compared with RMB0.55 per Wh in 2020, which was in line with market trend. Also, as most of our sales contracts did not contain any price adjustment mechanism, we were not able to increase the selling price of our battery products to our customers despite the steep increases in raw material prices.

On the other hand, our per unit cost of sales for our battery products increased by 35.4% from RMB0.48 per Wh in 2020 to RMB0.65 per Wh in 2021, among which (i) our raw material costs increased by 42.9% from RMB0.35 per Wh in 2020 to RMB0.50 per Wh in 2021 primarily due to steep increases in raw material prices; (ii) our manufacturing costs increased by 11.1% from RMB0.09 per Wh in 2020 to RMB0.10 per Wh in 2021 primarily due to a significant increase in sales volume of our small capacity ESS battery products; and (iii) our direct labor costs remained relatively stable at RMB0.05 in 2020 and 2021.

EV Battery Products

	Year ended December 31,			
	2020		2021	
	(in RMB thousands, except for percentages)			
	Gross Profit/ (Loss)	**Gross Margin**	**Gross Profit/ (Loss)**	**Gross Margin**
EV Battery Products......................	130,434	19.4%	(103,289)	(10.5)%

We recorded gross profit from our EV battery products of RMB130.4 million in 2020, with a gross profit margin of 19.4%, while we recorded gross loss from our EV battery products of RMB103.3 million in 2021, with negative gross profit margin of 10.5%. Such change was primarily due to (i) a 42.4% increase unit cost of raw materials of our EV battery products from RMB0.33 per Wh in 2020 to RMB0.47 per Wh in 2021, which in turn was the result of the rapid increase in purchase price of raw materials as a result of supply shortage in the market in 2021, and (ii) the fact that we were not able to timely adjust our selling prices of EV battery products in responses to the rapid increase in purchase prices of raw materials due to prevailing market trend, and the average selling price for our EV battery products decreased by 3.7% from RMB0.54 per Wh in 2020 to RMB0.52 per Wh in 2021.

ESS battery products

	Year ended December 31,			
	2020		2021	
	(in RMB thousands, except for percentages)			
	Gross Profit/ (Loss)	**Gross Margin**	**Gross Profit/ (Loss)**	**Gross Margin**
ESS Battery Products.....................	(23,143)	(12.7)%	(210,928)	(24.5)%

The gross loss from our ESS battery products increased from RMB23.1 million in 2020 to RMB210.9 million in 2021, primarily due a significant increase in sales volume of our ESS battery products. Our negative gross profit margin of ESS battery products increased from 12.7% in 2020 to 24.5% in 2021, primarily due to (i) a 37.5% increase unit cost of raw materials from RMB0.40 per Wh in 2020 to RMB0.55 per Wh in 2021, which in turn was the result of the rapid increase in purchase price of raw materials as a result of supply shortage in the market in 2021, and (ii) the fact that we were not able to timely adjust our selling prices of ESS battery products in responses to the rapid increase in purchase prices of raw materials due to prevailing market trend, and the average selling price for our ESS battery products remained relatively stable at RMB0.59 per Wh in 2020 and RMB0.60 per Wh in 2021.

Other Income and Gains

Other income and gains increased by 187.0% from RMB12.3 million in 2020 to RMB35.3 million in 2021, primarily due to (i) an increase in government grants of RMB10.5 million primarily as subsidies for our increased R&D activities in 2021; (ii) an increase in interest income of RMB6.7 million for our increased time deposits; and (iii) foreign exchange gains of RMB4.9 million from the acquisition of Batterotech Jiashan in 2021, the consideration of which was denominated in USD.

Selling and Distribution Expenses

	Year ended December 31,		
	2020	**2021**	**% Change**
	(in RMB thousands, except for percentages)		
Selling and distribution expenses	34,036	72,346	112.6%
Percentage of revenue	*3.8%*	*3.4%*	

Selling and distribution expenses increased by 112.6% from RMB34.0 million in 2020 to RMB72.3 million in 2021, primarily due to (i) an increase in warranties and after services of RMB16.6 million attributable to an increase in sales volume of our battery products, and (ii) an increase in salaries and welfare of RMB14.1 million attributable to an increase in the number of our sales employees and an increase in per capita salaries. As a percentage of our revenue, selling and distribution expenses decreased from 3.8% in 2020 to 3.4% in 2021.

Administrative Expenses

	Year ended December 31,		
	2020	**2021**	**% Change**
	(in RMB thousands, except for percentages)		
Administrative expenses	34,007	160,612	372.3%
Percentage of revenue	*3.7%*	*7.6%*	

Administrative expenses increased significantly from RMB34.0 million in 2020 to RMB160.6 million in 2021, primarily due to (i) an increase in salaries and welfare of RMB59.0 million mainly attributable to (a) an increase in number of our administrative personnel for our expansion project and an increase in per capita salaries, and (b) the reduction of social securities contribution as part of the favorable government policies as the result of the COVID-19 in 2020, (ii) the share incentive expense of RMB29.7 million recorded in 2021, (iii) an increase in office expenses of RMB20.5 million, and (iv) an increase in depreciation and amortization of RMB6.3 million attributable to an increase in property and equipment related to our administrative activities. As a percentage of our revenue, administrative expenses increased from 3.7% in 2020 to 7.6% in 2021, primarily because we increased our administrative personnel and office equipment in 2021 to catch up with the administrative tasks resulting from our rapid growth as well as to support our future expansion.

Research and Development Expenses

	Year ended December 31,		
	2020	**2021**	**% Change**
	(in RMB thousands, except for percentages)		
R&D expenses	72,716	245,558	237.7%
Percentage of revenue	*8.0%*	*11.6%*	

R&D expenses increased by 237.7% from RMB72.7 million in 2020 to RMB245.6 million in 2021, primarily due to (i) an increase in salaries and welfare of RMB78.6 million attributable to an increase in number of R&D personnel in 2021 and an increase in per capita salaries as a way to attract talents, (ii) an increase in material expenses of RMB57.4 million, and (iii) a share incentive expense of RMB12.9 million in 2021. As a percentage of our revenue, R&D expenses increased from 8.0% in 2020 to 11.6% in 2021, primarily due to the increased number of R&D personnel we hired to support our key R&D programs. See "Business – Research and Development – Our Research and Development Roadmap."

Impairment losses on financial assets

Our net impairment losses on financial assets decreased by 20.0% from RMB2.0 million in 2020 to RMB1.6 million in 2021, primarily due to the collection of trade receivables aged more than six months from certain customers.

Other Expenses

Other expenses decreased by 83.0% from RMB11.2 million in 2020 to RMB1.9 million in 2021, primarily attributable to an one-off payment in 2020 in relation to the acquisition of Batterotech Wuhan.

Finance Costs

Finance costs increased by 43.4% from RMB22.8 million in 2020 to RMB32.7 million in 2021, primarily due to the increase in interest-bearing bank borrowings to finance the construction of our production facilities and daily operation. See "– Indebtedness."

Loss for the Year

As a result of the foregoing, our loss for the year increased significantly from RMB53.3 million in 2020 to RMB804.2 million in 2021.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we financed our operations primarily through banking facilities, equity fund raised, loans from related parties and cash generated from operating activities. As of December 31, 2022, we had RMB4,901.1 million in cash and cash equivalents. We fully received proceeds of an aggregate amount of approximately RMB8.5 billion from the [**REDACTED**] Investments by November 2022. See "History and Development – Establishment and Development of the Company – [**REDACTED**] Investments."

Going forward, we believe our liquidity requirements will be satisfied by using funds from a combination of proceeds from [**REDACTED**] Investments, banking facilities and net [**REDACTED**] from the [**REDACTED**].

Taking into account the net [**REDACTED**] from the [**REDACTED**] and banking facilities available to us, our Directors believe that we have sufficient working capital to meet our present and future cash requirements for at least the next 12 months from the date of publication of this Document. After making reasonable inquiries of our management about our working capital, the Joint Sponsors concur with the Directors' view.

Net Current Assets/Liabilities

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

	As of December 31,			As of April 30,
	2020	**2021**	**2022**	**2023**
	(in RMB thousands)			*(unaudited)*
Current assets:				
Inventories	244,570	720,654	3,245,649	2,887,504
Trade and bills receivables	611,826	1,053,510	4,194,057	5,060,557
Contract assets	6,686	20,935	113,426	108,289
Prepayments, other receivables and other assets	36,959	639,139	717,908	749,257
Financial assets at fair value through profit or loss	50,454	–	17,186	–
Due from related parties	17,219	41,604	1,405,883	902,759
Restricted cash	40,850	817,327	1,843,528	2,318,328
Cash and cash equivalents	146,430	580,507	4,901,062	3,067,514
Total current assets	**1,154,994**	**3,873,676**	**16,438,699**	**15,094,208**

	As of December 31,			As of April 30,
	2020	2021	2022	2023
	(in RMB thousands)			
				(unaudited)
Current liabilities:				
Trade and bills payables	586,609	1,660,312	6,773,324	6,296,357
Other payables and accruals	208,521	1,196,526	2,787,628	3,262,291
Contract liabilities	8,855	158,538	184,408	467,125
Interest-bearing bank borrowings	173,205	367,136	465,209	566,621
Lease liabilities	6,464	8,760	9,616	10,427
Deferred government grants	3,904	6,389	13,355	19,864
Due to related parties	1,132,459	3,029,579	117,383	71,000
Tax payable	–	–	25	10,187
Provisions	2,139	2,804	48,534	62,845
Total current liabilities	**2,122,156**	**6,430,044**	**10,399,482**	**10,766,717**
Net current assets/(liabilities)	**(967,162)**	**(2,556,368)**	**6,039,217**	**4,327,491**

Comparison between April 30, 2023 and December 31, 2022

Our net current assets decreased from RMB6,039.2 million as of December 31, 2022 to RMB4,327.5 million as of April 30, 2023, primarily due to (i) a decrease in current assets, including (a) a decrease in inventories of RMB358.1 million, (b) a decrease in the amount due from related parties of RMB503.1 million, and (c) a decrease in cash and cash equivalents of RMB1,833.5 million, and (ii) an increase in current liabilities, including (a) an increase in other payables and accruals of RMB474.7 million and (b) an increase in contract liabilities of RMB282.7 million. Such change was partially offset by (i) an increase in trade and bills receivables of RMB866.5 million, (ii) an increase in restricted cash of RMB474.8 million, and (iii) a decrease in trade and bills payables of RMB477.0 million.

Comparison between December 31, 2022 and December 31, 2021

Our net current liabilities of RMB2,556.4 million as of December 31, 2021 turned into net current assets of RMB6,039.2 million as of December 31, 2022, primarily due to (i) an increase in current assets, including (a) an increase in inventories of RMB2,525.0 million, (b) an increase in trade and bills receivables of RMB3,140.5 million, (c) an increase in due from related parties of RMB1,364.3 million, (d) an increase in restricted cash of RMB1,026.2 million, and (e) an increase in cash and cash equivalent of RMB4,320.6 million mainly as a result of the [**REDACTED**] Investment; and (ii) a decrease in amounts due to related parties of RMB2,912.2 million for our repayment of loans from related parties. Such increase in current assets was partially offset by an increase in current liabilities, including (i) an increase in trade and bills payables of RMB5,113.0 million, and (ii) an increase in other payables and accruals of RMB1,591.1 million. These changes are largely in line with the growth of our operational scale. See "History and Development – Establishment and Development of the Company – [**REDACTED**] Investment," and "– Working Capital," and "– Cash Flow."

Comparison between December 31, 2021 and December 31, 2020

Our net current liabilities increased from RMB967.2 million as of December 31, 2020 to RMB2,556.4 million as of December 31, 2021, primarily due to an increase in current liabilities, including (i) an increase in trade and bills payables of RMB1,073.7 million, (ii) an increase in other payables and accruals of RMB988.0 million, and (iii) an increase in amount due to related parties of RMB1,897.1 million. Such increase in current liabilities was partially offset by an increase in current assets, including (i) an increase in inventories of RMB476.1 million, (ii) an increase in trade and bills receivables of RMB441.7 million, (iii) an increase in prepayments, other receivables and other assets of RMB602.2 million, (iv) an increase in restricted cash of RMB776.5 million, and (v) an increase in cash and cash equivalents of RMB434.1 million. These changes are largely in line with the growth of our operational scale. See "– Working Capital," and "– Cash Flow."

SELECTED BALANCE SHEET ITEMS

Inventories

Our inventories include (i) raw materials, (ii) work in progress, and (iii) finished goods. As of December 31, 2020, 2021 and 2022, raw materials to inventories accounted for 46.3%, 55.2% and 38.9% of our inventories, respectively.

The table below sets forth a breakdown of our inventory balances as of the dates indicated.

	As of December 31,					
	2020		2021		2022	
	(in RMB thousands)					
Raw materials	113,229	46.3%	398,149	55.2%	1,263,202	38.9%
Work in progress	67,578	27.6%	171,054	23.7%	522,294	16.1%
Finished goods	63,763	26.1%	151,451	21.1%	1,460,153	45.0%
Total	**244,570**	**100.0%**	**720,654**	**100.0%**	**3,245,649**	**100.0%**

Our inventories increased significantly during the Track Record Period as we continued to expand our production scale. As the prices of key raw materials for our battery products, such as LFP, increased sharply, and due to the shortage of supply of raw materials in 2021, we strategically procured these raw materials in advance to secure our raw material supplies according to our production plan. As a result, raw materials accounted for a larger portion of our inventories as of December 31, 2021 as compared with December 31, 2020 and 2022.

Our raw materials increased significantly from RMB398.1 million as of December 31, 2021 to RMB1,263.2 million as of December 31, 2022, primarily due to (i) the significant increase in raw material prices in 2022, and (ii) the increase in procurement of raw materials in line with our rapid business growth. Our finished goods increased significantly from RMB151.5 million as of December 31, 2021 to RMB1,460.2 million as of December 31, 2022, primarily due to (i) our increased output to satisfy our customer demands, and (ii) we received more orders from our customers for our products towards the end of 2022.

Aging Analysis and Impairment

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

	As of December 31,		
	2020	2021	2022
	(in RMB thousands)		
Within one year	231,138	699,108	3,206,155
Between one to two years	12,070	16,934	29,652
Between two to three years	1,362	4,233	7,792
Over three years	–	379	2,050
Total	**244,570**	**720,654**	**3,245,649**

The table below sets forth the movements in the loss allowance for impairment of inventories as of dates indicated

	As of December 31,		
	2020	2021	2022
	(in RMB thousands)		
At the beginning of the year	23,592	7,152	89,772
Provision for impairment losses	7,152	89,772	64,986
Write-off of impairment losses	(23,592)	(7,152)	(89,772)
At the end of the year	**7,152**	**89,772**	**64,986**

We recorded the provision for impairment losses of inventories of RMB89.8 million as of December 31, 2021, primarily due to the rapid increase in purchase prices of raw materials in 2021 and the fact that we did not manage to adjust the selling prices of our battery products accordingly in a timely manner, which together resulted in the net realizable value of our inventories lower than their costs. We recorded the provision for impairment losses of inventories of RMB65.0 million as of December 31, 2022, primarily due to the fact that certain of our new production lines were still in the ramp-up stage with higher costs, which resulted in the net realizable value of our inventories lower than their costs.

Turnover Days

	Year Ended December 31,		
	2020	2021	2022
Inventory turnover days[(1)]	89	72	53

Note:

(1) Inventory turnover days for each year equals the average of the beginning and ending balances of inventory for that year divided by cost of sales for that year and multiplied by 365 days.

We implement stringent controls and periodically review on inventory efficiency. Our inventory turnover days decreased from 89 days in 2020 to 72 days in 2021, and further to 53 days in 2022, primarily due to our improvement in production efficiency and inventory management.

Subsequent Utilization

As of April 30, 2023, 81.1% of our total inventories as of December 31, 2022, or RMB2,684.2 million, were utilized or sold.

Trade and Bills Receivables

Our trade and bills receivables primarily arise from sales of our products on credit. We typically grant credit terms of one to three months to eligible customers. See "Business – Marketing, Sales and Customers – Our Customers."

The table below sets forth our trade and bills receivables as of the dates indicated.

	As of December 31,		
	2020	**2021**	**2022**
	(in RMB thousands)		
Trade receivables	417,100	626,834	3,614,199
Bills receivables	196,779	430,314	664,546
Impairment	(2,053)	(3,638)	(84,688)
Total	**611,826**	**1,053,510**	**4,194,057**

During the Track Record Period, our trade and bills receivables grew significantly as our sales increased. All trade and bills receivables above were attributable to independent third parties.

We seek to maintain strict control over our outstanding receivables and have a credit control department to minimize credit risk. Our senior management regularly reviews the recoverability of our outstanding balances and when appropriate, provides for impairment of these trade receivables. Trade receivables relating to customers with known financial difficulties or significant doubt on collection are assessed individually for impairment allowance. The remaining trade receivables are grouped and collectively assessed for impairment allowance. Under the collective approach, an impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on aging analysis for grouping of customers that have similar loss patterns. Generally, trade receivables are written off according to management approval. See note 19 to "Appendix I – Accountants' Report." We believe that our exposure to the risks of being unable to collect payments is small.

Aging Analysis and Impairment

The table below sets forth an aging analysis of our trade and bills receivables as of the dates indicated.

	As of December 31,		
	2020	**2021**	**2022**
	(in RMB thousands)		
Within six months	602,341	1,023,646	4,166,481
Six months to one year	6,891	20,626	18,230
Between one to two years	2,594	9,238	9,346
Total	**611,826**	**1,053,510**	**4,194,057**

The table below sets forth the movements in the loss allowance for impairment of trade receivables as of the dates indicated.

	As of December 31,		
	2020	2021	2022
	(in RMB thousands)		
At the beginning of the year	102	2,053	3,638
Impairment losses, net	1,951	1,585	81,050
At the end of the year	2,053	3,638	84,688

During the Track Record Period, as a result of our effective collection and credit control, a substantial majority of our trade receivables aged within six months, and the impairment losses we recorded represent a relevant minor portion of the balance of our trade receivables. We recorded the net impairment losses of RMB81.1 million, primarily due to that we provided impairment losses of RMB74.5 million for one of our customers who suffered deteriorate liquidity position.

Turnover Days

	Year Ended December 31,		
	2020	2021	2022
Trade receivables turnover days[(1)(2)]	114	95	70

Notes:

(1) Trade receivables turnover days for each year equals the average of the beginning and ending balances of trade receivables for that year divided by revenue for that year and multiplied by 365 days.

(2) Including the amount of due from the related parties in trade natures. The turnover days for trade receivables attributable only to independent third parties were 104 days, 97 days, and 60 days, respectively.

Our trade receivables turnover days of 114 days in 2020 exceeded our credit terms of one to three months, primarily because we recorded a large amount of trade receivables towards the end of 2020, most of which were not due or fully settled as of December 31, 2020. Our trade receivables turnover days decrease from 114 days in 2020 to 95 days in 2021, and further decreased to 70 days in 2022, primarily due to our enhanced collection efforts.

Subsequent Settlement

As of April 30, 2023, 70.0% of our trade and bills receivables as of December 31, 2022, or RMB2,994.2 million, were settled.

The table below sets forth the subsequent settlement as of April 30, 2023 in terms of amount and as a percentage of our trade and bills receivables as of December 31, 2022, of our trade and bills receivables as of December 31, 2022 by aging.

	As of April 30, 2023	
	(in RMB thousands, except for percentages)	
Within six months	2,983,568	70.2%
Six months to one year	1,596	8.5%
One to two years	9,081	78.3%
Over two years	–	0.0%
Total	2,994,245	70.0%

Based on the our prudent estimation and judgment, and in accordance with the our accounting policies, we have made sufficient provision for impairment for our trade and bills receivables during the Track Record Period.

Contract Assets

The table below sets forth our contract assets as of the dates indicated.

	As of December 31,		
	2020	**2021**	**2022**
	(in RMB thousands)		
Contract assets arising from:			
Sale of products	6,686	20,935	113,426

During the Track Record Period, we recorded contract assets from the sales of products, the receipt of the consideration of which is conditional. Contract assets will be transfered to receivables upon the expiration of warranty period when we have unconditional right to receive consideration from the customers. Our contract assets increased from RMB20.9 million as of December 31, 2021 to RMB113.4 million as of December 31, 2022, primarily due to the growth of our overall business and sales volume of our battery products.

The Group and the Company seeks to maintain strict control over its outstanding contract assets and has a credit control process to minimize credit risk. In view of the aforementioned and the fact that the Group's and the Company's contract assets relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group and the Company does not hold any collateral or other credit enhancements over its contract assets balances. Contract assets are non-interest-bearing.

The table below sets forth the expected timing of recovery for contract assets as of the dates indicated.

	As of December 31,		
	2020	2021	2022
	(in RMB thousands)		
Within one year	35	1,490	97,425
After one year	6,651	19,445	16,001
Total	**6,686**	**20,935**	**113,426**

Subsequent Certification

As of April 30, 2023, 38.6% of our contract assets as of December 31, 2022, or RMB43.8 million, were certified.

Prepayments, Other Receivables and Other Assets

Our current portion of prepayments, other receivables and other assets primarily include (i) prepayment for raw materials, (ii) value-added-tax recoverable, and (iii) deposits and other receivables. Value-added tax recoverable primarily represent the value-added input tax in excess of the value-added output tax, which is expected to be deductible or recoverable within one year.

	As of December 31,		
	2020	2021	2022
	(in RMB thousands)		
Prepayments	10,717	552,499	310,066
Value-added-tax recoverable	24,254	73,017	148,377
Deposits and other receivables(1)	1,988	13,623	259,465
Total	**36,959**	**639,139**	**717,908**

Note:

(1) Including capitalized [**REDACTED**] expenses.

Our prepayments, other receivables and other assets increased significantly from RMB37.0 million as of December 31, 2020 to RMB639.1 million as of December 31, 2021, primarily due to an increase in prepayment for raw materials of RMB541.8 million, as we were required to make a large amount of prepayment under a raw material supply agreement with a large procurement amount we entered into in 2021. Our prepayments, other receivables and other assets increased from RMB639.1 million as of December 31, 2021 to RMB717.9 million as of December 31, 2022, primarily due to an increase in deposits and other receivables of RMB245.8 million, mainly of which were investment amount receivables for the subscription of REPT SAIC by the other joint venture partner. As of February 28, 2023, such outstanding investment amount was fully settled.

Aging Analysis

The table below sets forth an aging analysis of our current portion of prepayments, other receivables and other assets as of the dates indicated.

	As of December 31,		
	2020	**2021**	**2022**
	(in RMB thousands)		
Within six months	35,629	638,516	693,618
Six months to one year	197	324	21,332
Between one to two years	4	162	2,958
Over two years	1,129	137	–
Total	**36,959**	**639,139**	**717,908**

Subsequent Utilization

As of April 30, 2023, 79.0% of our current portion of prepayments, other receivables and other assets as of December 31, 2022, or RMB567.0 million, were utilized.

Financial Assets at Fair Value through Profit or Loss

The table below sets forth the our financial assets at fair value through profit or loss as of the dates indicated.

	As of December 31,		
	2020	**2021**	**2022**
	(in RMB thousands)		
Other unlisted investment, at fair value	50,454	–	15,000
Forward foreign exchange contracts	–	–	2,186
Total	**50,454**	**–**	**17,186**

The unlisted investments were wealth management products issued by banks in Mainland China. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest. As at 31 December 2020, 2021 and 2022, the unlisted investments amounting to RMB50.5 million, nil and RMB15.0 million, respectively, were pledged for issuance of bills payables.

We form our portfolio of wealth management products with the view of achieving (i) a relatively low level of risk, (ii) good liquidity and (iii) an enhanced yield. Our investment decisions are made on a case-by-case basis and after due and careful consideration of a number of factors, including but not limited to our overall financial condition, market and investment conditions, economic developments, investment cost, duration of investment and the expected returns and potential risks of such investment.

We have also established a set of internal control measures to safeguard our exposure to investment risks in connection with the purchase of wealth managements. Such measures include: (i) our investment in wealth management products shall be authorized and approved by our financial department, (ii) our finance department is responsible for ensuring that the wealth management products are properly recorded in our financial statements and monitoring the performance of our wealth management products, and any significant or adverse fluctuation in the wealth management products shall be reported to our management in a timely manner.

Any proposed investment in wealth management products which are not made in accordance with our treasury policy shall be subject to the approval of our Board.

After [**REDACTED**], we intend to continue our investments in the wealth management products strictly in accordance with our internal policies and measures and the requirements under Chapter 14 of the Listing Rules.

Amount Due from Related Parties

The table below sets forth the amount of due from related parties as of the dates indicated.

	As of December 31,		
	2020	**2021**	**2022**
Due from related parties – current	17,219	41,604	1,405,883
Due from related parties – non-current	1,880	1,887	1,887
Total	**19,099**	**43,491**	**1,407,770**

The amounts due from related parties are trade-related, unsecured, interests-free and repayable on demand. The management of the Company considers there is no significant credit risk for amounts due from related parties.

Restricted Cash

Our restricted cash primarily consist of (i) restricted time deposits, which comprises (a) time deposits pledged for bills payables and (b) time deposits pledged for letter of guarantee, and (ii) restricted bank deposits.

	As of December 31,		
	2020	2021	2022
	(in RMB thousands)		
Restricted time deposits			
Pledged for bills payables	40,746	810,300	1,749,158
Pledged for letter of guarantee	102	7,024	34,359
Restricted bank deposits	2	3	60,011
Total	**40,850**	**817,327**	**1,843,528**

As of December 31, 2020, 2021 and 2022, our restricted cash were RMB40.9 million, RMB817.3 million and RMB1,843.5 million respectively. The continuous increase in our restricted time deposits was primarily due to a significant increase in the amount of pledged deposits for bill payables, attributable to (i) our rapid business growth during the Track Record Period, and (ii) an increase in use of bank acceptance bills to settle with our suppliers. See "– Trade and Bills Payables."

Investment in Joint Ventures

The table below sets forth the share of net assets from our joint ventures as of the dates indicated.

	As of December 31,		
	2020	2021	2022
	(in RMB thousands)		
Shares of net assets	–	–	132,391

Particulars of the joint venture are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activity
SAIC REPT EV Battery System Co., Ltd. ("賽克瑞浦動力電池系統有限公司") (SAIC REPT)	Registered capital of RMB1 each	China	34%	Manufacture and sale of battery products

SAIC REPT, which is considered a material joint venture of the Group, acts as the Group's strategic partner engaged in manufacture of battery products and is accounted for using the equity method.

Trade and Bills Payables

Our trade and bills payables primarily comprise payables to our suppliers for raw materials. Our trade payables are non-interest-bearing and are normally settled on 90 to 180-day terms.

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

	As of December 31,		
	2020	2021	2022
	(in RMB thousands)		
Within one year	586,119	1,660,128	6,772,880
one to two years	490	184	444
Total	**586,609**	**1,660,312**	**6,773,324**

As of December 31, 2020, 2021 and 2022, our trade and bills payables were RMB586.6 million, RMB1,660.3 million and RMB6,773.3 million, respectively. The continuous increase in our trade and bills payables during the Track Record Period was primarily due to our rapid business growth.

Turnover Days

	Year Ended December 31,		
	2020	2021	2022
Trade and bills payables turnover days(1)	180	168	114

Note:

(1) Trade and bills payables turnover days for each year equals the average of the beginning and ending balances of trade and bills payables for that period divided by cost of sales for that year and multiplied by 365 days.

Our trade and bills payables turnover days decreased from 180 days in 2020 to 168 days in 2021, and further decreased to 114 days in 2022, primarily due to an increase in prepayment for raw materials and the short credit terms provided by our suppliers in response to the supply shortage of raw materials in the market.

Subsequent Settlement

As of April 30, 2023, 76.5% of our trade and bills payables as of December 31, 2022, or RMB5,181.7 million, were settled.

Other Payables and Accruals

Our other payables and accruals primarily comprise (i) payable for purchase of property, plant and equipment, (ii) salary payables, (iii) deposit received from our suppliers and customers, and (iv) other tax payables.

The table below sets forth our other payables and accruals as of the dates indicated.

	As of December 31,		
	2020	**2021**	**2022**
	(in RMB thousands)		
Payables for purchase of property, plant and equipment	139,601	913,246	2,199,559
Salary payables	30,307	113,900	307,610
Deposit received	–	134,624	184,371
Other tax payables	3,145	3,908	35,722
Others[(1)]	35,468	30,848	60,366
Total	**208,521**	**1,196,526**	**2,787,628**

Note:

(1) Others mainly include payables for labor expenses, utility, rent and consultancy fees of agencies

Our other payables and accruals increased significantly from RMB208.5 million as of December 31, 2020 to RMB1,196.5 million as of December 31, 2021, primarily due to (i) an increase in payables for purchase of property, plant and equipment of RMB773.6 million attributable to the construction of our production facilities in 2021, (ii) an increase in salary payables of RMB83.6 million attributable to an increase in scale of our personnel in line with our rapid business growth, and (iii) an increase in deposit received of RMB134.6 million from our suppliers for the ensurance of equipment quality and from our customers to reserve our production capacity. Our other payables and accruals increased from RMB1,196.5 million as of December 31, 2021 to RMB2,787.6 million as of December 31, 2022, primarily due to an increase in payables for purchase of property, plant and equipment of RMB1,286.3 million attributable to our expansion of our production facilities.

The table sets forth an aging analysis of our payables for property, plant and equipment as of the dates indicated.

	As of December 31,		
	2020	**2021**	**2022**
	(in RMB thousands)		
Within six months	139,337	912,691	1,649,350
Six months to one year	–	–	460,279
Between one to two years	–	555	89,404
Over two years	264	–	526
Total	139,601	913,246	2,199,559

Contract Liabilities

Our contract liabilities comprise advances received from our customers. We typically require our customers to pay part of the consideration for their purchases from us upon or prior to the delivery of the products. The table below sets forth our contract liabilities as of the dates indicated.

	As of December 31,		
	2020	**2021**	**2022**
	(in RMB thousands)		
Advances received from customers	8,855	158,538	184,408

As of December 31, 2020, 2021 and 2022, our contract liabilities were RMB8.9 million, RMB158.5 million and RMB184.4 million, respectively. The increase in our contract liabilities was primarily due to the increase in sales of our products along with our business growth.

Subsequent Recognition

As of April 30, 2023, 36.6% of our contract liabilities as of December 31, 2022, or RMB67.5 million, were recognized as revenue.

CASH FLOWS

The table below sets forth our cash flows for the periods indicated.

	Year Ended December 31,		
	2020	2021	2022
	(in RMB thousands)		
Operating profit/(loss) before working capital changes	61,579	(459,442)	563,819
Changes in working capital	112,446	(1,507,063)	(2,890,363)
Interest received	2,523	9,211	96,071
Net cash flows generated from/(used in) operating activities	176,548	(1,957,294)	(2,230,473)
Net cash flows used in investing activities	(689,374)	(2,920,950)	(3,981,731)
Net cash generated from financing activities	631,197	5,307,490	10,531,636
Net increase in cash and cash equivalents	118,371	429,246	4,319,432
Net foreign exchange difference	(2,005)	4,831	1,123
Cash and cash equivalents at beginning of the year	30,064	146,430	580,507
Cash and cash equivalents at end of the year	146,430	580,507	4,901,062

Operating Activities

In 2022, we had net cash used in operating activities of RMB2,230.5 million, primarily due to our loss before tax of RMB450.8 million, as adjusted for the items including (i) non-cash and non-operating items, primarily comprising (a) finance costs of RMB188.9 million, (b) depreciation of property, plant and equipment of RMB490.8 million, (c) net provision for impairment of trade receivables of RMB81.1 million, (d) net provision for product warranty of RMB239.1 million, and (e) a share incentive expense of RMB133.6 million; and changes in working capital, which primarily comprised (a) an increase in trade and bills receivables of RMB3,210.8 million. which was due to an increase in our sales, (b) an increase in amounts due from related parties of RMB1,364.3 million, as we increased our sales to our related parties, (c) an increase in inventories of RMB2,498.2 million, which was attributable to the expansion of our production activities, (d) an increase in trade and bills payables of RMB5,113.0 million, which was the result of our rapid business growth, and (e) an increase in restricted cash of RMB1,026.2 million as we increased the use of bank acceptance notes to settle with our suppliers and pledged our deposits.

In 2021, we had net cash used in operating activities of RMB1,957.3 million, primarily due to our loss before tax of RMB804.2 million, as adjusted for the items including: (i) non-cash and non-operating items, primarily comprising (a) a provision for product warranty of RMB36.7 million, (b) a provision for impairment of inventories of RMB82.6 million, (c) a depreciation of property, plant and equipment of RMB151.1 million, (d) finance costs of RMB32.7 million, and (e) a share incentive expense of RMB42.6 million; and (ii) changes in working capital, which primarily comprised (a) an increase in trade and bills receivables of RMB443.2 million, which was due to an increase in our sales, (b) an increase in prepayments and other receivables and other assets of RMB581.2 million, which was primarily due to the prepayment we made to secure raw materials supply, (c) an increase in other non-current assets of RMB512.5 million, (d) an increase in inventories of RMB558.7 million, which was attributable to the expansion of our production activities, (e) an increase in trade and bills payables of RMB1,073.2 million, which was the result of our rapid business growth, and (f) an increase in restricted cash of RMB776.5 million as we increased the use of bank acceptance notes to settle with our suppliers and pledged our deposits.

In 2020, we had net cash generated from operating activities of RMB176.5 million, primarily due to our loss before tax of RMB53.3 million, as adjusted for the following items: (i) non-cash and non-operating items primarily comprised (a) a provision for product warranty of RMB20.1 million, (b) a depreciation of property, plant and equipment of RMB69.6 million, (c) a depreciation of right-of-use assets of RMB19.1 million, and (d) finance costs of RMB22.8 million; and (ii) changes in working capital, which primarily comprised (a) an increase in trade and bills receivables of RMB517.7 million, which was due to an increase in our sales, (b) an increase in amounts due to related parties of RMB360.4 million, (c) an increase in inventories of RMB85.9 million, which was attributable to the expansion of our production activities, and (d) an increase in trade and bills payables of RMB386.0 million which was the result of our rapid business growth.

Going forward, we aim to improve our net operating cash outflow through (i) the increase of sales revenue to be generated from our confirmed orders and project pipelines in development; (ii) our price adjustment mechanism with customers in response to fluctuations in raw material prices, upgrade in product offerings and therefore expected improvement in gross margin; (iii) strengthened cost control; and (iv) improvement in working capital efficiency. See "Business – Business Sustainability – Path to Profitability."

Investing Activities

In 2022, we had net cash used in investing activities of RMB3,981.7 million, primarily due to the purchase of items of property, plant and equipment of RMB3,713.0 million.

In 2021, we had net cash used in investing activities of RMB2,921.0 million, primarily due to (i) the purchase of items of property, plant and equipment of RMB2,362.7 million, (ii) the acquisition of subsidiaries under common control of RMB443.3 million, and (iii) the purchase of right-of-use assets of RMB154.6 million.

In 2020, we had net cash used in investing activities of RMB689.4 million, primarily due to the purchase of property, plant and equipment of RMB727.8 million.

Financing Activities

In 2022, we had net cash generated from financing activities of RMB10,531.6 million, primarily due to (i) the proceeds from contribution from shareholders of RMB8,940.8 million as the result of the [**REDACTED**] investment, (ii) new bank loans of RMB5,290.9 million, (iii) new loans from related parties of RMB2,184.2 million, which was partially offset by (i) repayment of bank loans of RMB1,190.4 million, and (ii) repayment of loans from related parties of RMB4,837.9 million.

In 2021, we had net cash generated from financing activities of RMB5,307.5 million, primarily due to (i) proceeds from contribution from shareholders of RMB2,615.0 million, (ii) new bank loans of RMB538.1 million, and (iv) new loans of related parties of RMB5,269.5 million, which was partially offset by (i) repayment of bank loans of RMB241.0 million, and (ii) repayment of loans from related parties of RMB3,342.4 million.

In 2020, we had net cash generated from financing activities of RMB631.2 million, primarily due to (i) proceeds from contribution from original shareholders of subsidiaries acquired under common control of RMB231.0 million, (ii) new bank loans of RMB100.8 million, and (iii) new loans of related parties of RMB463.8 million, which was partially offset by repayment of loans from related parties of RMB134.9 million.

INDEBTEDNESS

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

	As of December 31,			As of April 30,
	2020	**2021**	**2022**	**2023**
	(in RMB thousands)			*(unaudited)*
Interest-bearing bank borrowings	281,205	578,576	4,651,174	5,792,112
Loans and related interests due to related parties	638,930	2,576,484	2,599	–
Lease liabilities	44,079	41,585	35,444	34,108
Contingent liabilities	–	–	–	–
Total	**964,214**	**3,196,645**	**4,689,217**	**5,826,220**

Interest-bearing Bank Borrowings

The table below sets forth our borrowings as of the dates indicated.

	As of December 31,			As of April 30,
	2020	**2021**	**2022**	**2023**
	(in RMB thousands)			*(unaudited)*
Current				
Bank loans – secured	100,927	274,373	105,038	293,910
Bank loans – unsecured	–	–	200,231	–
Current portion of long-term bank loans – secured	72,278	92,763	4,777	18,832
Current portion of long-term bank loans – unsecured	–	–	1,148	102,434
Current portion of long-term other loans – secured	–	–	154,015	151,445
Non-current				
Bank loans – secured	108,000	211,440	3,896,585	4,260,353
Bank loans – unsecured	–	–	26,880	777,639
Other loans – secured	–	–	262,500	187,500
Total	**281,205**	**578,576**	**4,651,174**	**5,792,112**

As of December 31, 2020, 2021 and 2022, we had bank borrowings with effective interest rate ranging from 2.80% to 4.80% of RMB281.2 million, RMB578.6 million and RMB4,651.2 million, respectively. As of April 30, 2023, we had interest-bearing bank borrowings of RMB5,792.1 million. Such bank loans were primarily used for capital expenditure and operational purposes, most of which were secured by the pledge of certain of the Group's leasehold land or bills receivables, or the guarantee from the companies controlled by our Controlling Shareholder. See note 26 to "Appendix I – Accountants' Report." As at the Latest Practicable Date, there were no other loans or guarantees provided by the Controlling Shareholders or any of their close associates to or for the benefit of the Group.

As of April 30, 2023, we had unutilized banking facilities of RMB9,410.1 million.

Loans and Related Interests Due to Related Parties

The table below set forth a breakdown of our outstanding balance of loans and related interests due to related parties as of the date indicated. Such loans were mainly used for our production expansion plans and the below balance as of the dates indicated is of non-trade nature.

	As of December 31,			As of April 30,
	2020	2021	2022	2023
		(in RMB thousands)		*(unaudited)*
Yongqing Technology[1]	583,000	1,073,057	2,599	–
Tsingshan Group[1]	55,930	1,503,427	–	–
Total	**638,930**	**2,576,484**	**2,599**	**–**

Note:

(1) Yongqing Technology and Tsingshan Group are the Controlling Shareholders of the Company.

Yongqing Technology

As of December 31, 2020, we had balance of loans of RMB583.0 million, which were interest-free. As of December 31, 2021, we had balance of loans and interests payables of RMB1,073.1 million, including loans of RMB76.0 million that were interest free, loans of RMB990.0 million that bore an interest rate of 6.36%, and the interest payable of RMB7.1 million. As of December 31, 2022, we had balance of interests payable of RMB2.6 million, with principal of the loans due to Yongqing Technology being fully paid. As of February 28, 2023, we had fully paid the outstanding balance of related interests due to Yongqing Technology.

Tsingshan Group

As of December 31, 2020, we had balance of loans of RMB55.9 million that were interest-free. As of December 31, 2021, we had balance of loans and interests payable of RMB1,503.4 million, including loans of 1,500.0 million that bore an interest rate of 6.36%, and the interests payable of RMB3.4 million. As of December 31, 2022, we had fully paid the outstanding balance of principal and interest due to Tsingshan Group.

Those loans are unsecured and repayable on demand. As of the Latest Practicable Date, all loans and interests due to related parties have been repaid in full. See note 37 to "Appendix I – Accountants' Report."

Lease Liabilities

	As of December 31,			As of April 30,
	2020	**2021**	**2022**	**2023**
	(in RMB thousands)			
				(unaudited)
Current				
Lease liabilities	6,464	8,760	9,616	10,427
Non-current				
Lease liabilities	37,615	32,825	25,828	23,681
Total	**44,079**	**41,585**	**35,444**	**34,108**

As of December 31, 2020, 2021 and 2022, and April 30, 2023, we recorded lease liabilities of RMB44.1 million, RMB41.6 million, RMB35.4 million and RMB34.1 million, respectively. Such decrease was primarily due to our repayment of rent.

Our Directors confirmed that there has not been any material increase in our indebtedness since April 30, 2023 to the date of this Document. As of the Latest Practicable Date, there was no material restrictive covenant in our indebtedness which could significantly limit our ability to obtain future financing, nor was there any material default on our indebtedness or breach of covenant during the Track Record Period and up to the Latest Practicable Date. As of the Latest Practicable Date, except for bank loans, we did not have plans for other material external debt financing.

Contingent Liabilities

As of December 31, 2020, 2021 and 2022 and April 30, 2023, and up to the Latest Practicable Date, we did not have any contingent liabilities.

CAPITAL EXPENDITURE AND COMMITMENTS

Capital Expenditure

Our principal capital expenditures during the Track Record Period primarily relate to purchases of property, plant and equipment and purchases of intangible assets. The table below sets forth our capital expenditure for the periods indicated.

	Year Ended December 31,		
	2020	2021	2022
	(in RMB thousands)		
Purchases of property, plant and equipment	727,815	2,362,742	3,713,042
Purchases of intangible assets	6,948	6,283	25,198
Purchase of right-of-use assets	–	154,615	245,142
Total capital expenditure	**734,763**	**2,523,640**	**3,983,382**

Our capital expenditure increased significantly from RMB734.8 million in 2020 to RMB2,523.6 million in 2021, and further increased to RMB3,983.4 million in 2022, primarily including the purchase of property, plant and equipment due to the construction of production facilities. See "Business – Production – Existing Production Facilities," and "– Planned Production Facilities."

We plan to finance our capital expenditure with the proceeds from the [**REDACTED**] Investments, net [**REDACTED**] from the [**REDACTED**] and banking facilities. See "Business – Production – Planned Production Facilities."

Capital Commitments

Our capital commitments are related to the construction of plants which had been contracted but not yet paid for. As of December 31, 2020, 2021 and 2022, our capital commitments were RMB643.4 million, RMB3,679.6 million and RMB5,461.7 million, respectively.

The table below sets forth our capital commitments as of the dates indicated.

	As of December 31,		
	2020	2021	2022
	(in RMB thousands)		
Contracted, but not provided for:			
Purchase of items of property, plant and equipment	643,398	3,679,610	5,461,749

KEY FINANCIAL RATIOS

	Year Ended/As of December 31,		
	2020	2021	2022
Return on assets[(1)]	(2.0)%	(8.9)%	(1.7)%
Return on equity[(2)]	(16.2)%	(35.9)%	(3.9)%
Gearing ratio[(3)]	293.0%	142.5%	40.9%
Current ratio[(4)]	0.5	0.6	1.6
Quick ratio[(5)]	0.4	0.5	1.3

Notes:

(1) Return on assets is calculated based on the total profit/(loss) for the relevant year divided by the ending balance of total assets and multiplied by 100%.

(2) Return on equity is calculated based on the total profit/(loss) for the relevant year divided by the ending balance of total equity and multiplied by 100%.

(3) Gearing ratio is calculated based on the interest-bearing bank borrowings, lease liabilities and loans and related interests due to related parties divided by the ending balance of total equity and multiplied by 100%.

(4) Current ratio is calculated based on the total current assets divided by the total current liabilities as at the end of the respective year.

(5) Quick ratio is calculated as total current assets less inventories divided by the total current liabilities as at the end of the respective year.

Gearing Ratio

Our gearing ratio decreased from 142.5% as of December 31, 2021 to 40.9% as of December 31, 2022, primarily due to a significant increase in our total equity of RMB9,208.7 million, mainly attributable to the proceeds of an aggregate amount of approximately RMB8.5 billion from the [**REDACTED**] Investments by November 2022. See "History and Development – Establishment and Development of the Company – [**REDACTED**] Investments."

Our gearing ratio decreased from 293.0% as of December 31, 2020 to 142.5% as of December 31, 2021, primarily due to a significant increase in our total equity of RMB1,913.8 million, mainly attributable to the capital increase in 2021. "See History and Development – Establishment and Development of the Company -Subscription in the Company's Register Capital by the Employee Shareholding Platforms in August 2021", and "History and Development – Establishment and Development of the Company – Capital Increase in November 2021."

Current Ratio

Our current ratio increased from 0.6 as of December 31, 2021 to 1.6 as of December 31, 2022, primarily due to (i) an increase in inventories of RMB2,525.0 million, (ii) an increase in trade and bills receivables of RMB3,140.5 million, (iii) an increase in due from related parties of RMB1,364.3 million, (iv) an increase in restricted cash of RMB1,026.2 million, (v) an increase in cash and cash equivalent of RMB4,320.6 million, and (vi) a decrease in amounts due to related parties of RMB2,912.2 million, which was partially offset by an increase in trade and bills payables of RMB5,113.0 million.

Our current ratio increased from 0.5 as of December 31, 2020 to 0.6 as of December 31, 2021, primarily due to (i) an increase in trade and bills payables of RMB1,073.7 million, (ii) an increase in other payables and accruals of RMB988.0 million, and (iii) an increase in amount due to related parties of RMB1,897.1 million.

Quick Ratio

Our quick ratio increased from 0.4 as of December 31, 2020 to 0.5 as of December 31, 2021, and further to 1.3 as of December 31, 2022. The trend of our quick ration was generally in line with the current ratio as disclosed above.

DISCLOSURE ABOUT FINANCIAL RISK

We are exposed to various types of risks, including interest rate risk, foreign currency risk, credit risk, liquidity risk.

Interest Rate Risk

We are exposed to risk of changes in fair value relates primarily to our bank borrowings with a floating interest rate. See note 41 to "Appendix I – Accountants' Report."

Foreign Currency Risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between RMB and other currencies in which we conduct business may affect our financial condition and results of operations. We seek to limit our exposure to foreign currency risk by minimizing our net foreign currency position. See note 41 to "Appendix I – Accountants' Report." We also engaged in foreign exchange hedging activities to address our exposure to foreign currency risk.

Credit Risk

We trade only with recognized and creditworthy third parties and there is no requirement for collateral. It is our policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis. Concentrations of credit risk are managed by customer/counterparty and by industry section. See note 41 to "Appendix I – Accountants' Report."

Liquidity Risk

We monitor our exposure to liquidity risk by monitoring the current ratio. See "– Key Financial Ratios." The liquidity of us is primarily dependent on its ability to maintain adequate cash inflows from operations to meet its debt obligations as they fall due, and its ability to obtain external financing to meet its committed future capital expenditure. See note 41 to "Appendix I – Accountants' Report."

The table below sets out the maturity profile of our financial liabilities as of December 31, 2020, 2021 and 2022, based on the contractual undiscounted payments.

	On demand	Less than one year	One to five years	Total
		(in RMB thousands)		
As of December 31, 2020				
Lease liabilities	–	8,281	39,880	48,161
Interest-bearing bank borrowings	–	185,048	117,602	302,650
Trade and bills payables	–	586,609	–	586,609
Financial liabilities included in other payables and accruals	–	35,468	–	35,468
Due to related parties	1,132,459	–	–	1,132,459
Total	**1,132,459**	**815,406**	**157,482**	**2,105,347**

	On demand	Less than one year	One to five years	Total
		(in RMB thousands)		
As of December 31, 2021				
Lease liabilities	–	10,411	35,896	46,307
Interest-bearing bank borrowings	–	387,742	225,304	613,046
Trade and bills payables	–	1,660,312	–	1,660,312
Financial liabilities included in other payables and accruals	–	165,472	–	165,472
Due to related parties	3,145,107	–	–	3,145,107
Total	**3,145,107**	**2,223,937**	**261,200**	**5,630,244**

	On demand	Less than one year	One to five years	Over five years	Total
	(in RMB thousands)				
As of December 31, 2022					
Lease liabilities	–	11,070	27,838	–	38,908
Interest-bearing bank borrowings	–	659,434	3,058,489	1,714,306	5,432,229
Trade and bills payables	–	6,773,324	–	–	6,773,324
Financial liabilities included in other payables and accruals	–	197,895	–	–	197,895
Due to related parties	117,383	–	–	–	117,383
Total	**117,383**	**7,641,723**	**3,086,327**	**1,714,306**	**12,559,739**

OFF-BALANCE SHEET ARRANGEMENTS

We have not entered into, nor do we expect to enter into, any off-balance sheet arrangements. We also have not entered into any financial guarantees or other commitments to guarantee the payment obligations of manufacturing partners. In addition, we have not entered into any derivative contracts that are indexed to our equity interests and classified as owners' equity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging or R&D services with us.

DIVIDEND

As confirmed by our PRC Legal Advisor, according to relevant PRC laws, any future net profit that we make will have to be first applied to make up for our historically accumulated losses, after which we will be obliged to allocate 10% of our net profit to our statutory common reserve fund. We will, therefore, only be able to declare dividends after: (i) all our historically accumulated losses have been made up for; and (ii) we have allocated sufficient net profit to our statutory common reserve fund as described above. We may stop allocate the net profit when the aggregate balance of the statutory common reserve fund has reached more than 50% of our registered capital.

Since inception, we have not declared or paid any dividends on our shares. We do not have any present plan to declare or pay any dividends on our Shares in the foreseeable future.

Any future plan to pay dividends will be made at the discretion of our Board of Directors subject to approval of our Shareholders. Any declaration as well as the amount of such declaration and payment will be subject to our Articles of Association and the relevant laws. Even if we decide to pay dividends, the form, frequency and amount may be based on a number of factors, including our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the Board of Directors may deem relevant.

DISTRIBUTABLE RESERVE

As of December 31, 2022, the Company did not have any distributable reserves.

DISCLOSURE REQUIRED UNDER RULES 13.13 to 13.19 OF THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, they were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to Rules 13.19 of the Listing Rules.

RELATED-PARTY TRANSACTIONS

Related party transactions are set out in note 37 to "Appendix I – Accountants' Report", our Directors confirm that these transactions were conducted in the ordinary and usual course of business and at arm's length basis.

[**REDACTED**]

[**REDACTED**]

[REDACTED] EXPENSES

[**REDACTED**] expenses represent professional fees, [**REDACTED**] and fees incurred in connection with the [**REDACTED**] and the [**REDACTED**]. Our [**REDACTED**] expenses are estimated to be approximately [**REDACTED**] (including [**REDACTED**]) accounted for [**REDACTED**]% of the [**REDACTED**] of the [**REDACTED**], assuming that an [**REDACTED**] of [**REDACTED**] per Share (being the mid-point of the [**REDACTED**] range stated in this document) and the [**REDACTED**] is not exercised, among which, approximately [**REDACTED**] is directly attributable to the issuance of Shares and will be charged to equity upon completion of the [**REDACTED**], and approximately [**REDACTED**] will be charged to our consolidated statement of comprehensive income. The [**REDACTED**] expenses we incurred in the Track Record Period and expect to incur would consist of approximately [**REDACTED**] expenses and fees (including [**REDACTED**], SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy), approximately [**REDACTED**] expenses and fees including fees for the Joint Sponsors, legal advisors and reporting accountant and approximately [**REDACTED**] other [**REDACTED**] fees and expenses. During the Track Record Period, we incurred [**REDACTED**] of [**REDACTED**] expenses, among which, [**REDACTED**] was included in deposits and other receivables and will be subsequently charged to our equity upon completion of the [**REDACTED**] and [**REDACTED**] was charged to our consolidated statement of comprehensive income.

The [**REDACTED**] expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate. Our Directors do not expect such [**REDACTED**] expenses to have a material adverse impact on our results of operation for the year ending December 31, 2023.

RECENT DEVELOPMENTS

We continued to expand our production capacity. In particular,

- In February 2023, we entered into a strategic agreement with local government in Fuling District, Chongqing, to establish a production facility for battery cells and battery packs with a planned annual production capacity of 30GWh of battery cells. The implementation of such project is subject to further feasibility studies and relevant regulatory approval. Chongqing is of strategic importance to us because it has abundant energy resources, favorable government policies and vast potential for EV manufacturing and ESS projects.

- In March 2023, we entered into a strategic agreement with local government in Jiashan, Zhejiang, in relation to the construction of a production facility as phase III of Jiashan facility for lithium-ion battery products with a planned annual production capacity of 45GWh. The implementation of such project is subject to further feasibility studies and relevant regulatory approval. The construction of phase III of Jiashan facility will further expand our production capacity in Jiashan and enhance our presence.

In addition, as of the Latest Practicable Date, we have an R&D facility under construction in Jiashan with a planned annual production capacity of 2GWh. We have obtained land use rights for such facility in April 2023.

NO MATERIAL ADVERSE CHANGE

Our Directors confirmed that, as of the date of this document, there has been no material adverse change in our financial or trading position or prospects since December 31, 2022, and there has been no event since December 31, 2022 that would materially affect the information as set out in the Accountants' Report in Appendix I to this document.

SHARE CAPITAL

Immediately before the [REDACTED]

As of the Latest Practicable Date, the registered share capital of the Company was RMB2,160,803,850, divided into 9,778,041 Unlisted Foreign Shares and 2,151,025,809 Domestic Shares with a nominal value of RMB1.00 each.

Upon the Completion of the [REDACTED]

Immediately after completion of the **[REDACTED]** (assuming that the **[REDACTED]** is not exercised), the share capital of the Company will be as follows.

Description of Shares	Number of Shares	Approximate % of the enlarged issued share capital after the [REDACTED]
Domestic Shares	[REDACTED]	[REDACTED]%
H Shares to be converted from Unlisted Foreign Shares	[REDACTED][(1)]	[REDACTED]%
H Shares to be converted from Domestic Shares	[REDACTED][(1)]	[REDACTED]%
H Shares to be [REDACTED] pursuant to the [REDACTED]	[REDACTED]	[REDACTED]%
Total	[REDACTED]	**100%**

Note:

(1) See "– Conversion of Domestic Shares and Unlisted Foreign Shares".

OUR SHARES

The H Shares in **[REDACTED]** following the completion of the **[REDACTED]** and the Domestic Shares are ordinary Shares in the share capital of the Company, and are considered as one class of Shares. However, H Shares may only be **[REDACTED]** and **[REDACTED]** in Hong Kong dollars.

Apart from certain qualified domestic institutional investors in the PRC, the qualified PRC investors under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect and other persons who are entitled to hold the H Shares pursuant to relevant PRC laws and regulations or upon approvals of any competent authorities, H Shares generally cannot be **[REDACTED]** by or **[REDACTED]** between legal or natural PRC persons. Domestic Shares can be **[REDACTED]** by and **[REDACTED]** between legal or natural PRC persons, qualified foreign institutional investors and foreign strategic investors.

The Domestic Shares and the H Shares of the Company are regarded as one class of Shares under the Articles of Association and will rank *pari passu* with each other in all respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this document. All dividends for H Shares will be paid in Hong Kong dollars or in the form of additional H Shares whereas all dividends for Domestic Shares will be paid in Renminbi. However, the transfer of Domestic Shares is subject to such restrictions as PRC laws may impose from time to time. Save for the [**REDACTED**] and otherwise disclosed in this document, the Company does not propose to carry out any public or private [**REDACTED**] or to place securities simultaneously with the [**REDACTED**] or within the next six months from the [**REDACTED**]. The Company has not approved any share [**REDACTED**] plan other than the [**REDACTED**].

CONVERSION OF UNLISTED SHARES INTO H SHARES

The Domestic Shares and Unlisted Foreign Shares are Unlisted Shares which are currently not [**REDACTED**] or [**REDACTED**] on any stock exchange. According to the stipulations by the State Council's securities regulatory authority and the Articles of Association, the Unlisted Shares may be converted into H Shares, and such converted H Shares may be [**REDACTED**] or [**REDACTED**] on an overseas stock exchange, provided that prior to the conversion and [**REDACTED**] of such converted shares any requisite internal approval processes shall have been duly completed. In addition, such conversion, [**REDACTED**] and [**REDACTED**] shall in all respects comply with the regulations prescribed by the State Council's securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange and complete the filing process procedure with CSRC.

Approval of the Stock Exchange is required if any of the Unlisted Shares are to be converted into and [**REDACTED**] as H Shares on the Stock Exchange. Based on the methodology and procedures for the conversion of the Unlisted Shares into H Shares as described in this section, the Company can apply for the [**REDACTED**] of all or any portion of its Unlisted Shares on the Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of shares for entry on the H Share register. As any [**REDACTED**] of additional shares after the initial [**REDACTED**] of the Company on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter, it does not require such prior application for [**REDACTED**] at the time of its initial [**REDACTED**] in Hong Kong.

Approval of Shareholders at a general meeting is not required for the [**REDACTED**] and [**REDACTED**] of the converted shares on an overseas stock exchange. Any application for [**REDACTED**] of the converted shares on the Stock Exchange after the initial [**REDACTED**] of the Company is subject to prior notification by way of announcement to inform the Shareholders and the public of any proposed conversion.

After all the requisite approvals have been obtained, the following procedure will need to be completed in order to effect the conversion: the relevant Unlisted Shares will be withdrawn from the Domestic Share register and the Company will re-register such Shares on its H Share register maintained in Hong Kong and instruct its H Share Registrar to issue H Share certificates. Registration on the H Share Register will be conditional on (a) its H Share Registrar lodging with the Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H Share register and the due dispatch of H Share certificates and (b) the [**REDACTED**] of the H Shares to [**REDACTED**] on the Stock Exchange in compliance with the Listing Rules, the General Rules of CCASS and the CCASS Operational Procedures in force from time to time. Until the converted shares are re-registered on the H Share Register, such Shares would not be [**REDACTED**] as H Shares.

[**REDACTED**]

[**REDACTED**]

TRANSFER OF SHARES ISSUED PRIOR TO THE [REDACTED]

According to the PRC Company Law, the Shares issued by the Company prior to the [**REDACTED**] are restricted from trading within one year from the [**REDACTED**].

RESTRICTIONS OF SHARE TRANSFER BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Directors, Supervisors and members of senior management shall declare their shareholdings in the Company and any changes in their shareholdings. Shares transferred by the Directors, Supervisors and members of the senior management each year during their term of office shall not exceed 25% of their total respective shareholdings in the Company. The Shares that the aforementioned persons held in the Company cannot be transferred within one year from the date on which the shares are [**REDACTED**] and [**REDACTED**], nor within half a year after they leave their positions in the Company. The Articles of Association may contain other restrictions on the transfer of our Shares held by our Directors, Supervisors and members of senior management.

REGISTRATION OF SHARES NOT LISTED ON AN OVERSEAS STOCK EXCHANGE

According to the Notice of Centralized Registration and Deposit of Non-overseas Listed Shares of Companies Listed on an Overseas Stock Exchange (《關於境外上市公司非境外上市股份集中登記存管有關事宜的通知》) issued by the CSRC, an overseas listed company is required to register its shares that are not listed on the overseas stock exchange with China Securities Depository and Clearing Corporation Limited within 15 Business Days after [**REDACTED**] and provide a written report to the CSRC regarding the centralized registration and deposit of its non-overseas listed shares as well as the current [**REDACTED**] and [**REDACTED**] of shares.

SHAREHOLDERS' APPROVAL FOR THE [REDACTED]

Approval from holders of the Shares is required for the Company to [**REDACTED**] H Shares and seek the [**REDACTED**] of H Shares on the Hong Kong Stock Exchange. The Company has obtained such approval at the Shareholders' general meeting held on November 11, 2022.

SHAREHOLDERS' GENERAL MEETINGS

For details of circumstances under which the Shareholders' general meeting is required, see "Appendix V – Summary of the Articles of Association" and "Appendix IV – Summary of Principal Legal and Regulatory Provisions."

SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors as at the Latest Practicable Date, immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), each of following persons will have an interest and/or short position (as applicable) in the Shares or underlying Shares which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the Shares, once the Shares are [**REDACTED**] on the Hong Kong Stock Exchange:

			As of the Latest Practicable Date		Immediately following the Completion of the [REDACTED] (assuming the [REDACTED] is not exercised)		
Name of Shareholder	**Nature of Interest**	**Description of Shares**	**Number of Shares Held or Interested**	**Approximate Percentage of Shareholding**	**Number of Shares Held or Interested**	**Approximate Percentage of Shareholding in the Domestic Shares**	**Approximate Percentage of Shareholding in the Total Issued Share Capital**
				(%)			*(%)*
Wenzhou Jingli	Beneficial owner	Domestic Shares	264,000,000	12.22%	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Yongqing Technology[(1)]	Beneficial owner	Domestic Shares	1,089,419,482	50.42%	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
	Interest in controlled corporations	Domestic Shares	264,000,000	12.22%	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Ruitu Energy[(1)]	Interest in controlled corporations	Domestic Shares	264,000,000	12.22%	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Tsingshan Group[(2)]	Interest in controlled corporations	Domestic Shares	1,353,419,482	62.64%	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Mr. Xiang[(3)]	Interest in controlled corporations	Domestic Shares	1,353,419,482	62.64%	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Jiaxing SAIC	Beneficial owner	Domestic Shares	187,828,067	8.69%	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Shangqi Capital[(4)]	Interest in controlled corporations	Domestic Shares	244,113,245	11.29%	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Shanghai Qiyuan[(4)]	Interest in controlled corporations	Domestic Shares	244,113,245	11.29%	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Mr. Feng Ji[(4)]	Interest in controlled corporations	Domestic Shares	244,113,245	11.29%	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

Notes:

(1) As of the Latest Practicable Date, Yongqing Technology held 100% equity interests in Ruitu Energy, which is the general partner of Wenzhou Jingli. Therefore, each of Yongqing Technology and Ruitu Energy was deemed to be interested in the 264,000,000 Shares held by Wenzhou Jingli under the SFO.

(2) As of the Latest Practicable Date, Tsingshan Group held 51% equity interests in Yongqing Technology. Therefore, Tsingshan Group was deemed to be interested in the 1,089,419,482 and 264,000,000 Shares directly held by Yongqing Technology and Wenzhou Jingli, respectively, under the SFO.

(3) See "History and Development – Corporate Structure Immediately Prior to the [**REDACTED**]". As of the Latest Practicable Date, Mr. Xiang directly held approximately 22.3% equity interests in Tsingshan Group. Mr. Xiang also held indirect equity interests in Tsingshan Group through (a) Shanghai Decent, of which Mr. Xiang is an approximately 71.5%-shareholder, which directly held approximately 23.7% equity interests in Tsingshan Group and (b) Zhejing Tsingshan, of which Mr. Xiang is an approximately 80%-shareholder, which directly held approximately 11.5% equity interests in Tsingshan Group. Therefore, Mr. Xiang directly and indirectly controlled approximately 57.5% equity interests in Tsingshan Group and was deemed to be interested in the 1,089,419,482 and 264,000,000 Shares directly held by Yongqing Technology and Wenzhou Jingli, respectively, under the SFO.

(4) See "History and Development – Background of the [**REDACTED**] Investors". As of the Latest Practicable Date, Shangqi Capital is the general partner and fund manager of Jiaxing SAIC and Qingdao SAIC; Shanghai Qiyuan Business Consulting Co., Ltd. (上海頎元商務諮詢有限公司, "Shanghai Qiyuan") is the general partner of Shangqi Capital; and Mr. Feng Ji (馮戟) held 80% equity interests in Shanghai Qiyuan. Therefore, each of Shangqi Capital, Shanghai Qiyuan and Mr. Feng Ji was deemed to be interested in the 187,828,067 Shares directly held by Jiaxing SAIC, and the 56,285,178 Shares directly held by Qingdao SAIC.

Save as disclosed above, the Directors are not aware of any person who will, immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), have an interest or short position in the Shares or underlying shares of the Company which would be required to be disclosed to the Company and the Hong Kong Stock Exchange under Divisions 2 and 3 of Part XV of the SFO or will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at any general meeting of the Company.

OVERVIEW

As at the Latest Practicable Date, Yongqing Technology was interested in approximately 62.6% of the total issued Shares, comprising approximately 50.4% direct interest and approximately 12.2% indirect interest through Wenzhou Jingli, whose general partner is Ruitu Energy, a wholly-owned subsidiary of Yongqing Technology. Yongqing Technology is owned by Tsingshan Group as to 51% of its equity interests, and Tsingshan Group is ultimately controlled by Mr. Xiang directly and indirectly through Shanghai Decent and Zhejiang Tsingshan as to 57.5% of its equity interests. See "History and Development" for the corporate structure of the Group.

Immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), Yongqing Technology will hold approximately [**REDACTED**]% of the total issued Shares, comprising approximately [**REDACTED**]% direct interest and approximately [**REDACTED**]% indirect interest through Wenzhou Jingli. Mr. Xiang, through Tsingshan Group, who is a 51% shareholder of Yongqing Technology, will control the exercise of the approximately [**REDACTED**]% voting rights in the Company. Accordingly, Mr. Xiang, Zhejiang Tsingshan, Shanghai Decent, Tsingshan Group, Yongqing Technology, Ruitu Energy and Wenzhou Jingli will continue to be a group of Controlling Shareholders immediately upon the [**REDACTED**].

DELINEATION OF BUSINESS BETWEEN US AND THE CONTROLLING SHAREHOLDERS

Principal Business of the Group

The principal business of the Group includes R&D, manufacturing and sales of lithium-ion EV battery products and ESS battery products. Our EV battery products are LFP battery products and ternary lithium battery products used in various types of passenger vehicles, commercial vehicles, and special vehicles. Our ESS battery products are LFP battery products used in different energy storage scenarios, including household energy storage, large-scale commercial and industrial energy storage scenarios as well as smaller commercial energy storage scenarios. For details, see "Business – Our Products and Customers".

Principal Business of the Controlling Shareholders

The ultimate Controlling Shareholder, Mr. Xiang, is an entrepreneur with more than 20 years' experience in the stainless steel sector and more than 10 years' experience in nickel mining and refining industry. Mr. Xiang is the founder of Tsingshan Group.

Tsingshan Group was incorporated in the PRC in June 2003. Tsingshan Group and its affiliates primarily engage in nickel and stainless steel businesses. Tsingshan Group has strategically set foot in various areas along the lithium-ion battery industry value chain including the mining and refining of nickel, lithium and cobalt, and the production of cathode materials, anode materials, separators and electrolytes. In 2022, Tsingshan Group ranked the 238th in the Fortune Global 500 in terms of revenue. Yongqing Technology is mainly an investment holding subsidiary of Tsingshan Group.

Shanghai Decent primarily engages in management of overseas investment project, import of bulk raw materials, and export of electromechanical products and construction equipment. Shanghai Decent has formed its stainless steel production and supply chain which covers upstream raw material development and investment, global procurement, shipping logistics, stainless steel product processing, and international trade, as well as a production services system supporting it. Shanghai Decent ranked 43rd in "Shanghai Top 100 Enterprises" in 2022. Zhejiang Tsingshan primarily engages in marketing planning for steel companies, corporate image planning, enterprise management consulting and investment holding. Ruitu Energy is mainly an investment holding platform. Wenzhou Jingli is mainly an employee shareholding platform of the Company.

The Group is the only business entity engaging in battery manufacturing controlled by the Controlling Shareholders.

COMPETING INTEREST

Each of the Controlling Shareholders confirms that he/it does not have any interest in a business, apart from the business of the Group, which competes or is likely to compete (directly or indirectly) with our principal business and would require disclosure under Rule 8.10 of the Listing Rules.

NON-COMPETITION UNDERTAKING

Mr. Xiang, Tsingshan Group and Yongqing Technology (the "**Undertaking Controlling Shareholders**") entered into a non-competition undertaking in favor of the Company on [●] (the "**Non-competition Undertaking**"), pursuant to which each of the Undertaking Controlling Shareholders has irrevocably and unconditionally undertaken that during the term of the Non-competition Undertaking, he/it, shall not, and shall procure his/its subsidiaries and controlled entities (excluding the Group) not to, operate any business in the PRC (the "**Restricted Business**") that competes with the principal business of the Group, i.e. R&D, manufacturing and sales of lithium-ion EV battery products and ESS battery products, or directly or indirectly hold any equity interests in any Restricted Business, or directly or indirectly participate in or acquire any rights or interests in any Restricted Business by other means.

The Non-competition Undertaking does not apply to circumstances where the Undertaking Controlling Shareholders or his/its subsidiaries (excluding the Group) hold equity interests in a company engaged in the Restricted Business other than any member of the Group, or participate in or acquire any rights or interests in any Restricted Business by other means, provided that:

(i) according to the latest consolidated audited accounts of such company, the revenue contribution of the Restricted Business in which such company (and its related assets) is engaged accounts for less than 30% of the consolidated revenue of such company; or

(ii) the Undertaking Controlling Shareholders and his/its subsidiaries (excluding the Group) directly and indirectly hold less than 50% equity or other interests in such company, and the Undertaking Controlling Shareholders and his/its subsidiaries (excluding the Group) have no right to appoint a majority of the directors of the board of such company.

Pursuant to the Non-competition Undertaking, the above restrictions shall remain in full effect so long as: (i) the Shares remain [**REDACTED**] on the Hong Kong Stock Exchange; (ii) the Group still operates the Restricted Business in the PRC; and (iii) the Undertaking Controlling Shareholders remain as our Controlling Shareholders.

New Business Opportunities

The Undertaking Controlling Shareholders undertaken in the Non-competition Undertaking that if any of them or his/its subsidiaries (excluding the Group) are recommended or provided with new business opportunities which compete with the Restricted Business (the "**New Business Opportunities**") in the PRC during the term of the Non-competition Undertaking, the New Business Opportunities should be recommended or introduced to the Group following the procedures set out below:

(i) the Undertaking Controlling Shareholders or his/its subsidiaries (excluding the Group) shall provide the Group with a written notification (the "**Offer Notice**") which includes all reasonable and necessary information known to such Undertaking Controlling Shareholder or his/its subsidiary relating to the New Business Opportunities for the Group to consider (a) whether the New Business Opportunities compete with the Restricted Business; and (b) whether engaging in such New Business Opportunities would be in the interests of the Group;

(ii) the Undertaking Controlling Shareholders or his/its subsidiaries (excluding the Group) will have the right to participate in the New Business Opportunities as long as: (a) they have received a written rejection of the New Business Opportunities from the Group; or (b) they have not received any written response regarding the acceptance of the New Business Opportunities within ten (10) Business Days upon receipt of the Offer Notice by the Group. The major terms of the New Business Opportunities finally accepted by such Undertaking Controlling Shareholder or his/its subsidiary shall not be more favorable than those offered to the Group; and

(iii) if the Group decides to take up the New Business Opportunities, the Undertaking Controlling Shareholders or his/its subsidiaries (excluding the Group) will be obligated to provide the New Business Opportunities to the Group.

If any of the Undertaking Controlling Shareholders or his/its subsidiaries (excluding the Group) is aware of any material changes in the conditions of the New Business Opportunities they recommended, such Undertaking Controlling Shareholder or his/its subsidiary (as the case maybe) shall notify the Group of such changes in the manner as set out above.

INDEPENDENCE OF THE GROUP FROM THE CONTROLLING SHAREHOLDERS

Taking into consideration the following factors, the Directors are of the view that the Group is able to carry on its business independently from the Controlling Shareholders and their respective close associates after the completion of the [**REDACTED**].

(a) Operational Independence

The Group operates independently from the Controlling Shareholders and their respective close associates.

The Group holds and enjoys the benefits of all relevant licenses necessary to carry out its business in all material respects. The Group has obtained, among other things, all material qualifications and authorization, operational equipment, premises, intellectual properties and domain names that are needed for its business.

The Group also has a full-time management team and team of staff to carry out its operation and administration independently from the Controlling Shareholders. The Group has established a complete organizational structure, comprising various separate departments each charged with specific responsibilities. The support functions comprising accounting, administration, corporate secretarial, compliance and human resource management will also continue to be handled by a team of staff employed directly by us and are separated from the Controlling Shareholders, despite that the Group has entered into certain continuing connected transactions with the Controlling Shareholders and their associates on normal commercial terms as disclosed under "Connected Transactions" which will not impact the Group's independent operation of business. The Group has also established a set of internal control procedures and adopted corporate governance practices to facilitate the independent and effective operation of our business. For details, please refer to "– Corporate Governance Measures" in this section.

Based on the above, our Directors are satisfied that the Group is able to operate independently from the Controlling Shareholders and their respective close associates.

(b) Financial Independence

The Group is able to operate independently from the Controlling Shareholders and their respective close associates from the financial perspective.

During the Track Record Period, the Group primarily financed our business operation through banking facilities, equity fund raised and cash generated from operations. As of February 28, 2023, the Group had sufficient funds to carry on its operations and we had approximately RMB2,341.3 million of unutilized and unrestricted banking facilities granted by several commercial banks which are all independent third parties. The Directors are of the view that the Group is capable of obtaining financing from external sources independently and without reliance on the Controlling Shareholders and their respective close associates upon [**REDACTED**]. Any outstanding loans and related interests due to related parties has been settled in full as of the Latest Practicable Date. As at the Latest Practicable Date, there were no other loans or guarantees provided by the Controlling Shareholders or any of their close associates to or for the benefit of the Group.

The Group has established its own finance department responsible for the financial management, accounting, and taxation in the ordinary and usual course of business of the Company. The Group also has its own risk management and internal control system, independent accounting and financial management system and independent management for cash receipts and payments. Our accounting and finance function are independent from the Controlling Shareholder and their close associates.

Based on the above, the Directors are of the view that the Group is financially independent from the Controlling Shareholders and their respective close associates.

(c) Management Independence

The Board consists of twelve Directors, including three executive Directors, five non-executive Directors and four independent non-executive Directors. For further details, see "Directors, Supervisors and Senior Management".

The Directors are of the view that the Board and the senior management of the Group are able to function independently from the Controlling Shareholders and their respective close associates for the following reasons:

(i) each of the Directors is aware of and understand their fiduciary duties which, among other things, requiring them to act in the best interests of the Company and the Shareholders as a whole;

(ii) the executive Directors, who have extensive experience in the industry that the Group is engaged in and are responsible for the day-to-day management of the Group's business, do not hold any positions with the Controlling Shareholders;

(iii) notwithstanding that Mr. Hu Xiaodong and Mr. Wang Haijun, our non-executive Directors, hold positions with the Controlling Shareholders (Mr. Hu Xiaodong currently serves as a director of Ruitu Energy and the chairman of Yongqing Technology, and Mr. Wang Haijun currently serves as a director and the president of Shanghai Decent), they are responsible for advising on business plans, major decisions and investment activities of the Group, supervising senior management, and are mainly participating in our Company's management through attending board meetings, and are not responsible for the day-to-day management and operation of our Company;

(iv) none of the members of the senior management of the Company have any ongoing management role with the Controlling Shareholders;

(v) the decision-making mechanism of the Board as specified in the Articles of Association has set out relevant provisions to avoid conflicts of interests, including requiring a Director to abstain from voting on any resolution approving any contract, transaction or arrangement in which such Director or any of his/her close associates have a material interest;

(vi) the Company will adopt corporate governance policies, including but not limited to, rules relating to the procedure for board meetings and decision-making protocols on connected transactions, setting out circumstances that require the relevant Directors, who hold roles with Controlling Shareholders, to abstain from voting on the relevant board resolutions;

(vii) the Controlling Shareholders [have] provided a Non-Competition Undertaking in favor of the Group, and will notify the Group of New Business Opportunities. See "– Non-Competition Undertaking" for further details; and

(viii) the Company has four independent non-executive Directors who have extensive experience in different professions. They have been appointed pursuant to the requirements under the Listing Rules to ensure that the decisions of the Board are made only after due consideration of independent and impartial opinions. Our Directors believe that the presence of our independent non-executive Directors from different backgrounds provides a balance of views and opinions.

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors is interested in any business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the Group's business.

CORPORATE GOVERNANCE MEASURES

In order to further safeguard the interests of the Shareholders, the Company will adopt the following corporate governance measures to manage any potential conflicts of interest with the Controlling Shareholders and their respective close associates:

(i) as part of the preparation for the [**REDACTED**], the Company has amended the Articles of Association to comply with the Listing Rules which will become effective upon the [**REDACTED**]. In particular, the Articles of Association will provide that, a Director shall abstain from voting on any resolution approving any contract, transaction or arrangement in which such Director or any of his/her close associates has a material interest nor shall such Director be counted in the quorum present at the Board meeting;

(ii) the Company has established internal control mechanisms to identify connected transactions. Upon the [**REDACTED**], if the Company enters into connected transactions with the Controlling Shareholders or any of their associates, the Company will comply with the applicable requirements under the Listing Rules;

(iii) the Company is committed that the Board shall include a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors). The Company has appointed four independent non-executive Directors, and believes that the independent non-executive Directors (i) possess sufficient experiences, (ii) are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment, and (iii) will be able to provide an impartial and external opinion to protect the interests of the Shareholders as a whole. For details of the independent non-executive Directors, see "Directors, Supervisors and Senior Management"; and

(iv) the Company has appointed Red Solar Capital Limited as its compliance advisor, which will provide advice and guidance to the Company in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors' duties and corporate governance.

The Directors consider that the above corporate governance measures are sufficient to manage potential conflict of interests between the Controlling Shareholders and their respective close associates and the Group and to protect the interests of the Shareholders, in particular, the minority Shareholders.

OVERVIEW

As at the Latest Practicable Date, Yongqing Technology held approximately 62.6% interest in our share capital, including approximately 50.4% direct interest and approximately 12.2% indirect interest through Wenzhou Jingli, whose general partner is Ruitu Energy, a wholly-owned subsidiary of Yongqing Technology.

Yongqing Technology is owned by Tsingshan Group as to 51% of its equity interests, and Tsingshan Group is ultimately controlled by Mr. Xiang. Immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), Yongqing Technology will hold approximately [**REDACTED**]% interest in our share capital, including approximately [**REDACTED**]% direct interest and approximately [**REDACTED**]% indirect interest through Wenzhou Jingli. Mr. Xiang, Yongqing Technology and Tsingshan Group will remain as our substantial shareholders upon the [**REDACTED**] and therefore, Mr. Xiang, Yongqing Technology and Tsingshan Group and their respective associates will become our connected persons upon the [**REDACTED**].

SUMMARY OF THE CONNECTED PERSONS

The table below sets forth certain entities which will become connected persons of the Company upon the [**REDACTED**] and have entered into certain transactions with the Group which will constitute continuing connected transactions under Chapter 14A of the Listing Rules upon the [**REDACTED**].

Name	Connected Relationship
Yongqing Technology	Our Controlling Shareholder
Tsingshan Group	Our Controlling Shareholder

SUMMARY OF THE CONTINUING CONNECTED TRANSACTIONS

The Group has entered into the following transactions that will constitute continuing connected transactions under Rule 14A.31 of the Listing Rules upon [**REDACTED**]:

					Proposed Annual Caps		
					For the year ending December 31,		
No.	**Nature of Transactions**	**Connected Party**	**Relevant Listing Rules**	**Waiver Sought**	**2023**	**2024**	**2025**
					RMB (million)	*RMB (million)*	*RMB (million)*
Partially Exempt Continuing Connected Transactions							
1	Property Leasing Framework Agreement	Tsingshan Group	14A.35 and 14A.76(2)	Waiver from announcement requirement	5.51	5.51	5.51
Non-Exempt Continuing Connected Transactions							
2	Product Sales Framework Agreement	Tsingshan Group	14A.35, 14A.36, 14A.52, and 14A.53	Waiver from announcement and independent shareholders' approval requirements	4,299.00	195.00	195.00
3	Materials Purchasing Framework Agreement	Yongqing Technology	14A.35, 14A.36, 14A.52, and 14A.53	Waiver from announcement and independent shareholders' approval requirements	3,825.00	11,125.00	16,642.00

PARTIALLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

Property Leasing Framework Agreement

On [●], 2023, the Company [entered] into a property leasing framework agreement (the "**Property Leasing Framework Agreement**") with Tsingshan Group, pursuant to which the Company has agreed to and, will procure its subsidiaries to lease properties to Tsingshan Group and its associates during the term of the Property Leasing Framework Agreement, in accordance with the terms and conditions of the Property Leasing Framework Agreement and the demands of Tsingshan Group and its associates from time to time. The Property Leasing Framework Agreement will take effect since the [**REDACTED**] and expire on [●] and will automatically be renewable for successive periods of three years thereafter, subject to compliance with the then applicable provisions of the Hong Kong Listing Rules, unless it is terminated earlier by either party giving not less than three months' written notice to the other party in advance or otherwise pursuant to the Property Leasing Framework Agreement.

In compliance with the provisions and conditions of the Property Leasing Framework Agreement, Tsingshan Group and its associates shall enter into separate lease contracts more specific to the provision of property leasing services (the "**Individual Lease Contracts**") with the Group. The terms and conditions of the Individual Lease Contracts shall be determined by the signing parties through negotiation based on the principles set out in the Property Leasing Framework Agreement.

Reasons and benefits for the transactions

The Group has already been leasing certain properties at prevailing market rates or no more favorable rates to Tsingshan Group and its associates before the [**REDACTED**]. Tsingshan Group and its associates had well performed the relevant contractual obligations in previous transactions. Our Directors believe that the entering into of the Property Leasing Framework Agreement and the terms thereof are fair and reasonable, and are in the interests of our Shareholders as a whole.

Pricing basis

The rental and related fees (including down payment and other miscellaneous expenses) to be paid by Tsingshan Group and its associates under the Property Leasing Framework Agreement will be determined on an arm's length basis, with reference to the historical rental price and the prevailing market rental and related fees of similar properties located in similar areas.

Historical figures and annual caps

The historical transaction amounts in respect of the rental and related fees paid by Tsingshan Group and its associates to the Group were nil, nil and approximately RMB1.5 million for the years ended December 31, 2020, 2021 and 2022, respectively.

The proposed annual caps in respect of the rental and related fees contemplated under the Property Leasing Framework Agreement for the years ending December 31, 2023, 2024 and 2025 are RMB5.51 million, RMB5.51 million, and RMB5.51 million, respectively.

Basis of the annual caps

In arriving at the above annual caps, the Directors have considered, among other things, the following factors: (i) the historical transaction amount for the year ended December 31, 2022; (ii) the current rental prices of comparable properties in the vicinity and the prevailing market prices; (iii) the expected rental prices based on (a) prediction on the future development of the property market in the PRC, and (b) the area and conditions of the premises to be rented, including but not limited to, the actual floor space usage ratio, neighboring area and facilities available.

The significant increase in the proposed annual caps in respect of the transactions under the Property Leasing Framework Agreement for the years ending December 31, 2023, 2024 and 2025 as compared to the historical transaction figures during the Track Record Period is mainly due to the significant increase in the total floor area of properties to be leased by the Group to Tsingshan Group and its associates for storage purpose.

Listing Rule Implications

The Property Leasing Framework Agreement and the transactions contemplated thereunder are entered into during the ordinary and usual course of our business and on normal commercial terms or no better. As one or more of the applicable percentage ratios in respect of the proposed annual caps of the transactions contemplated under the Property Leasing Framework Agreement are expected to exceed 0.1% but will be lower than 5%, the Property Leasing Framework Agreement and transactions contemplated thereunder will be exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules, but will be subject to reporting, annual review and announcement requirements pursuant to Rule 14A.76(2)(a) of the Listing Rules upon [**REDACTED**].

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

I. Products Sales Framework Agreement

On [●], 2023, the Company entered into a product sales framework agreement (the "**Product Sales Framework Agreement**") with Tsingshan Group, pursuant to which, the Group has agreed to sell, and Tsingshan Group and its associates have agreed to purchase battery products including but not limited to energy storage systems, ESS battery pack, battery modules accessories, and battery components (collectively, the "**Battery Products**") with a term commencing from the [**REDACTED**] to [●]. The Product Sales Framework Agreement will be renewable subject to the negotiation between the parties to the agreement and compliance with the requirements of the Listing Rules.

Subject to terms of the Product Sales Framework Agreement, Tsingshan Group and its associates will enter into specific agreements or place purchase orders with the Group to set out specific terms and conditions in respect of the purchase of the Battery Products. The commercial terms of the agreements or orders are similar to the commercial terms with other independent third parties. The consideration payable by Tsingshan Group and its associates under the Product Sales Framework Agreement will be paid at the time and according to the method to be agreed in specific agreements or purchase orders.

Reasons and benefits for the transactions

It is in our ordinary and usual course of business to sell the Battery Products. Tsingshan Group and its associates need the Battery Products mainly for their power grid energy storage and power grid frequency adjustment control systems, and also for sales to an EV manufacturer as described below.

The Directors consider the Product Sales Framework Agreement to be consistent with the business and commercial objectives of the Group, as the long-term collaboration with Tsingshan Group and its associates enables us to further explore the lithium battery market and improve our brand reputation.

Pricing basis

The price of the Battery Products to be sold by the Group under the Product Sales Framework Agreement shall be determined on an arm's length basis with reference to prices provided to independent third parties by the Group, and in any event shall not be lower than the prices provided to independent third parties by the Group if under similar conditions.

Historical figures and annual caps

The historical transaction amounts in respect of the Battery Products sold by the Group to Tsingshan Group and its associates were approximately RMB1.3 million, RMB15.3 million and RMB1,344.6 million for the years ended December 31, 2020, 2021 and 2022, respectively. The fluctuations in transaction amount during the Track Record Period were due to:

(i) the fluctuation of demand of power grid energy storage and power grid frequency adjustment control systems of associates of Tsingshan Group in Indonesia. Such demand was mainly affected by the construction progress of the industrial park under construction of associates of Tsingshan Group in Indonesia, as it was only when the relevant associates of Tsingshan Group in Indonesia complete a phase of construction would the power grid energy storage and power grid frequency adjustment control systems be required; and

(ii) the arrangements between the Group and Tsingshan Group and/or its associates in relation to provision of certain battery components to Tsingshan Group and/or its associates in 2022 and 2023 for their supplying to an EV manufacturer, which led to the significant increase in the transaction amount in 2022.[Note]

Note: The Group negotiated the terms for product supply, including product specifications, pricing terms, and payment terms, with the EV manufacturer directly in 2021. However, the EV manufacturer requested that the signing entity of the agreement should be the Group's Controlling Shareholder Yongqing Technology, considering its internal requirement for suppliers in respect of size and track record of operations. As such, Yongqing Technology and the EV manufacturer entered into an agreement in relation to the supply of battery components in December 2021, which specifically required that the relevant products shall be produced by the Group and will expire in December 2023, and BatteroTech Jiashan entered into an agreement with Yongqing Technology to provide the same. The Group expects to enter into the supply agreement directly with the EV manufacturer or its subsidiaries after the expiry as the Group is able to meet the supplier requirements from the EV manufacturer independently.

It's expected that the total transaction amount of the battery components supplied to Tsingshan Group and/or its associates for the year ending December 31, 2023 would be approximately RMB4,104.0 million.

The proposed annual caps in respect of the Battery Products to be sold by the Group to Tsingshan Group and its associates under the Product Sales Framework Agreement for the years ending December 31, 2023, 2024 and 2025 are RMB4,299.00 million, RMB195.00 million and RMB195.00 million, respectively.

Basis of the annual caps

In arriving at the above annual caps, the Directors have considered, among other things, the following factors: (i) the historical transaction amounts during the Track Record Period; (ii) the expected selling price of the Battery Products, which is expected to remain at the same level as compared to the market price of the Battery Products sold by the Group during the Track Record Period; (iii) the expected maximum future demand of Tsingshan Group and its associates for the Battery Products of approximately 150MWh for each of the three years ending December 31, 2025, which is estimated based on their budget and estimated capacity in the future, including the estimation of the ESS batteries demand from Tsingshan Group and/or its associates based on the needs of relevant industrial parks under construction of associates of Tsingshan Group in Indonesia; (iv) as disclosed above, the demand from Tsingshan Group and/or its associates in 2023 for the battery components estimated based on the maximum sales volume under the agreement between Yongqing Technology and the EV manufacturer, which leads to the significant increase in the proposed annual cap for the year ending December 31, 2023; and (v) the estimated supply capability of the Group of the Battery Products.

Listing Rule Implications

The transactions contemplated under the Products Sales Framework Agreement are conducted in the ordinary and usual course of business on normal commercial terms or better. As one or more of the applicable percentage ratios in respect of the proposed annual caps of the transactions contemplated under the Products Sales Framework Agreement will be more than 5%, the Products Sales Framework Agreement and the transactions contemplated thereunder will be subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules upon [**REDACTED**].

II. Materials Purchasing Framework Agreement

On December 12, 2022, the Company entered into a strategic cooperation agreement in relation to material procurement (the "**Materials Purchasing Framework Agreement**") with Yongqing Technology, pursuant to which, Yongqing Technology and its associates have agreed to sell, and the Group has agreed to purchase raw materials (including but not limited to lithium compounds, ternary precursors, separators and graphite), with a term of three years commencing from December 12, 2022 for producing battery products. The Materials Purchasing Framework Agreement will be renewable subject to the negotiation between the parties to the agreement and compliance with the requirements of the Listing Rules.

Subject to terms of the Materials Purchasing Framework Agreement, the Group will enter into specific agreements or place purchase orders with Yongqing Technology and its associates to set out specific terms and conditions in respect of the supply of raw materials. The consideration payable by the Group under the Materials Purchasing Framework Agreement for purchasing raw materials will be paid at the time and according to the method to be agreed in specific agreements or purchase orders.

Reasons and benefits for the transactions

The main objective of the Group's sourcing strategy is to ensure stable supply and cost competitiveness. The Group generally selects its suppliers based on various criteria including the reliability of delivery time, pricing of the materials and location of the suppliers' facilities. Yongqing Technology and its associates are not the sole and exclusive suppliers for the raw materials required by our Group for its business, and the Group also sources raw materials from selected suppliers which are independent third parties. Yongqing Technology and its associates also supplies similar raw materials to independent third parties. As the Group has been procuring raw materials from Yongqing Technology and its associates during the Track Record Period and given (i) the pricing basis below, (ii) the high quality of the products supplied by Yongqing Technology and its associates and the (iii) stability of raw materials supply by Yongqing Technology and its associates, our Directors consider that it is in the interest of the Company and our Shareholders for the Group to continue to purchase the required raw materials from Yongqing Technology and its associates going forward provided that the prices offered by Yongqing Technology and its associates are fair and reasonable as compared to market rates.

Pricing basis

The price of raw materials to be purchased by the Group under the Materials Purchasing Framework Agreement shall be determined on an arm's length basis with reference to traded prices on such raw material listed on the website of the Shanghai Metal Market (SMM), and if under similar conditions of purchase, shall not be less favorable than (i) then trade price of such raw material listed on the website of the SMM; (ii) price of such raw material provided to independent third parties by Yongqing Technology and its associates during relevant time; and (iii) quotation of such raw material obtained by the Group from independent third parties during relevant time (if available).

Historical figures and annual caps

The historical transaction amounts in respect of the raw materials purchased by the Group from Yongqing Technology and its associates were approximately RMB16.2 million, RMB212.2 million and RMB61.0 million for the years ended December 31, 2020, 2021, and 2022, respectively.

The proposed annual caps in respect of the raw materials to be purchased by the Group from Yongqing Technology and its associates contemplated under the Materials Purchasing Framework Agreement for the years ending December 31, 2023, 2024 and 2025 are RMB3,825.00 million, RMB11,125.00 million and RMB16,642.00 million, respectively.

Basis of the annual caps

In arriving at the above annual caps, the Directors have considered, among other things, the following factors: (i) the prevailing market price or brokers' price forecast of the raw materials; (ii) the estimated sales volume of the Group's battery products and the corresponding demand for the relevant raw materials based on the Group's expansion plan of production capacity till 2025: as of December 31, 2022, the designed annual production capacity of the Group was 35.2GWh, and the Group plans to increase its production capacity to 77GWh by the end of 2023, and targets to reach over 150GWh by the end of 2025; and (iii) the expected maximum quantity of raw materials supplies as set out in the Materials Purchasing Framework Agreement, which was determined by taking into consideration of the significantly increasing supply capability of Yongqing Technology and its associates based on their estimated capacity, which is expected to be gradually released since 2023 based on their expansion plan and production program, as well as the raw materials demand of the Company based on its capacity expansion plans as disclosed above, leading to the significant increase in the proposed annual caps for the years ending December 31, 2023 to 2025.

The following table sets forth details of the expected maximum purchase quantity of raw materials supplies under the Materials Purchasing Framework Agreement:

	For the years ending December 31,			
	2023	**2024**	**2025**	
Expected Maximum Purchase Quantity				**Basis for Expected Maximum Purchase Quantity**
Lithium Compounds (in LCE tons)	6,500	30,000	60,000	Based on the supply capabilities of the projects owned by Yongqing Technology and its associates as well as the raw materials demand of the Group.
Ternary Precursors (tons)	8,918	19,604	20,000	
Separators (million m^2)	200	850	1,350	
Graphite (tons)	–	20,800	33,600	

The significant increase in the proposed annual caps in respect of the transactions under the Materials Purchasing Framework Agreement for the years ending December 31, 2023, 2024, and 2025 as compared to the historical transaction figures during the Track Record Period is mainly due to (i) the expected significant increase in the production capacity of the Group, leading to a corresponding increase in Group's demand for raw materials; and (ii) upstream raw material projects that Yongqing Technology and its associates invested in are expected to start production since 2023, enhancing supply capabilities of Yongqing Technology and its associates and providing opportunities for the Group to expand raw materials sourcing channels.

The estimated amount of the raw materials required to achieve the expected production capacity is based on the estimated average amount of raw materials required per GWh according to the past operation experiences. For lithium compounds, ternary precursors, separators and graphite, the estimated volume required significantly exceeds the expected maximum volume under the Materials Purchasing Framework Agreement.

Listing Rule Implications

The transactions contemplated under the Materials Purchase Framework Agreement are conducted in the ordinary and usual course of business on normal commercial terms or better. As one or more of the applicable percentage ratios in respect of the proposed annual caps of the transactions contemplated under the Materials Purchase Framework Agreement will be more than 5%, the Products Sales Framework Agreement and the transactions contemplated thereunder will be subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules upon [**REDACTED**].

MEASURES TO SAFEGUARD THE INTERESTS OF OUR SHAREHOLDERS

To safeguard the interests of the Company and Shareholders as a whole, including the minority Shareholders, the Company will put in place certain internal approval and monitoring procedures relating to the proposed connected transactions contemplated under the agreements mentioned above, which include the following:

- we will formulate internal guidelines according to the Listing Rules, which provide approval procedures for connected transactions based on their nature and amounts;

- if under similar conditions of purchase, the commercial terms and pricing of the connected transactions should be no less favorable than the terms and prices provided by independent third parties or provided to independent third parties in respect of similar products or services;

- the Company shall collect the transaction amount information regularly and conduct analysis of the data to manage the connected transactions;

- the independent non-executive Directors and auditors will conduct annual review of the partially and non-exempt continuing connected transactions mentioned above and provide annual confirmations in accordance with the Listing Rules that the partially and non-exempt continuing connected transactions are conducted in accordance with terms of the relevant agreements, on normal commercial terms and in accordance with the pricing policy and do not exceed the proposed applicable annual caps;

- in respect of the connected transactions not governed by the existing framework agreements (if any), the relevant operating entities shall communicate with the headquarters in advance and provide necessary documents to facilitate related decision-making and disclosure process; and

- additional approvals are required for transactions exceeding the proposed annual caps (if applicable).

WAIVER APPLICATION FOR PARTIALLY AND NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The abovementioned partially exempt continuing connected transactions will be subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules, and the abovementioned non-exempt continuing connected transactions will be subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the above partially and non-exempt continuing connected transactions are expected to continue on a recurring and continuing basis, our Directors consider that compliance with the above announcement and/or independent shareholders' approval requirements will be impractical, will incur unnecessary administrative costs for us, and will be unduly burdensome to us.

Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange [has granted] a waiver to us under Rule 14A.105 of the Listing Rules from compliance with the announcement requirements in respect of the above partially exempt continuing connected transactions, and a waiver to us under Rule 14A.105 of the Listing Rules from compliance with the announcement and independent shareholders' approval requirements in respect of the above non-exempt continuing connected transactions.

The waiver granted by the Hong Kong Stock Exchange for the partially exempt continuing connected transactions under the Property Leasing Framework Agreement, and the non-exempt continuing connected transactions under the Products Sales Framework Agreement and the Materials Purchasing Framework Agreement will expire on [●], respectively.

CONFIRMATIONS FROM THE DIRECTORS AND THE COMPANY

The Directors (including the independent non-executive Directors) are of the view that the continuing connected transactions as set out above have been entered into in our ordinary and usual course of business and on normal commercial terms or better to the Company, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and the proposed annual caps for those transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Company confirms that it will comply with the applicable requirements under the Listing Rules and will immediately inform the Hong Kong Stock Exchange if any of the proposed annual caps for its continuing connected transactions as set out above is exceeded, or when there is a material change in the terms of these transactions.

CONFIRMATION FROM THE JOINT SPONSORS

Based on the information and representation provided by the Company and participation in the due diligence and discussion with the Company, the Joint Sponsors are of the view that the partially and non-exempt continuing connected transactions as set out above have been or will be entered into in the ordinary and usual course of business of the Company on normal commercial terms or better to the Company which are fair and reasonable, and in the interests of the Company and the Shareholders as a whole, and the proposed annual caps for those partially and non-exempt continuing connected transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

OVERVIEW

The Board currently consists of twelve Directors, including three executive Directors, five non-executive Directors and four independent non-executive Directors. The Board is responsible for and has the general power over the management and operation of the business of the Company, including determining business strategies and investment plans, implementing resolutions passed at the general meetings, and exercising other powers, functions and duties as conferred by the Articles of Association. The Board also assumes the responsibilities for developing and reviewing the policies and practices of the Company on internal control and compliance with legal and regulatory requirements.

The Supervisory Committee currently consists of three Supervisors, including one employee representative Supervisor and two shareholder representative Supervisors. The Supervisory Committee is responsible for supervising the performance of duty of the Board and the senior management of the Company and overseeing the operations, financial activities, internal control and risk conditions of the Group. The employee representative Supervisor is elected by our employees, while shareholder representative Supervisors are elected at the Shareholders' general meetings.

The senior management is currently comprised of six members who are responsible for the day-to-day management and operation of the Company.

DIRECTORS

The following table sets forth the key information about the Directors as at the Latest Practicable Date.

Name	Age	Position	Responsibilities	Date of first appointment	Date of joining the Group
Dr. Cao Hui (曹輝)	44	Chairman of the Board, executive Director and president	Formulation of the strategic direction and the day-to-day management of the Group	Appointed on October 25, 2017 as the chairman of the Board and president, on March 31, 2022 as a Director, and re-designated as an executive Director on November 11, 2022	October 8, 2017
Dr. Wu Yanjun (吳艷軍)	48	Executive Director, Board secretary and one of the joint company secretaries	Formulation of corporate development strategies as well as external cooperation, financing and investment of the Group	Appointed on March 31, 2022 as a Director and the board secretary, re-designated as an executive Director and appointed as one of the joint company secretaries on November 11, 2022	February 8, 2022
Ms. Huang Jiehua (黃潔華)	41	Executive Director and chief financial officer	Responsible for the accounting and financial management of the Group	Appointed on August 1, 2021 as the chief financial officer, and on August 4, 2022 as a Director, and re-designated as an executive Director on November 11, 2022	August 1, 2021
Mr. Hu Xiaodong (胡曉東)	49	Non-executive Director	Advising on business plans, major decisions and investment activities of the Group	Appointed on June 12, 2020 as a Director, and re-designated as a non-executive Director on November 11, 2022	June 12, 2020

Name	Age	Position	Responsibilities	Date of first appointment	Date of joining the Group
Mr. Wang Haijun (王海軍)	54	Non-executive Director	Advising on business plans, major decisions and investment activities of the Group	Appointed on March 31, 2022 as a Director, and re-designated as a non-executive Director on November 11, 2022	March 31, 2022
Ms. Xiang Yangyang (項陽陽)	33	Non-executive Director	Advising on business plans, major decisions and investment activities of the Group	Appointed on March 31, 2022 as a Director, and re-designated as a non-executive Director on November 11, 2022	March 31, 2022
Mr. Wei Yong (衛勇)	50	Non-executive Director	Advising on business plans, major decisions and investment activities of the Group	Appointed on April 11, 2022 as a Director, and re-designated as a non-executive Director on November 11, 2022	April 11, 2022
Mr. Yu Xinhua (俞信華)	48	Non-executive Director	Advising on business plans, major decisions and investment activities of the Group	Appointed on August 4, 2022 as a Director, and re-designated as a non-executive Director on November 11, 2022	August 4, 2022
Ms. Wong Sze Wing (黃斯穎)	44	Independent non-executive Director	Supervising and providing independent judgment to the Board	November 11, 2022	[**REDACTED**]
Dr. Wang Zhenbo (王振波)	49	Independent non-executive Director	Supervising and providing independent judgment to the Board	November 11, 2022	[**REDACTED**]
Dr. Ren Shenggang (任勝鋼)	47	Independent non-executive Director	Supervising and providing independent judgment to the Board	November 11, 2022	[**REDACTED**]
Dr. Simon Chen	63	Independent non-executive Director	Supervising and providing independent judgment to the Board	November 11, 2022	[**REDACTED**]

Executive Directors

Dr. Cao Hui (曹輝), aged 44, was appointed as the chairman of the Board and the president of the Company on October 25, 2017, as a Director on March 31, 2022, and was re-designated as an executive Director on November 11, 2022. Dr. Cao is responsible for the formulation of the strategic direction of the Group and the day-to-day management of the Company. He has also served as a director of Guangdong REPT BATTERO since October 2017, a director of REPT SAIC since April 2022, a director of Chongqing REPT BATTERO since March 2023, and the general partner of Wenzhou Ruili since August 2021.

Dr. Cao has over 20 years of experience in lithium-ion battery industry. Prior to joining the Company in October 2017, Dr. Cao successively served as a senior engineer at Shanghai Institute of Space Power-Sources (上海空間電源研究所) from March 2006 to February 2009, and a vice general manager of Shanghai Aerospace Power Technology Co., Ltd. (上海航天電源技術有限責任公司) from February 2009 to October 2017.

Dr. Cao obtained a bachelor's degree and a master's degree in metallurgy of non-ferrous metals from Central South University (中南大學) in July 2000 and June 2003, respectively, and a doctoral degree in materials physics and chemistry from the Shanghai Institute of Microsystem and Information Technology, Chinese Academy of Sciences (中國科學院上海微系統與信息技術研究所) in March 2006. He was recognized as a researcher (研究員) by the Professional and Technical Position Evaluation Committee of Shanghai Aerospace Bureau (上海航天局專業技術職務評審委員會) in August 2014.

Dr. Cao has received multiple awards for his achievements, including the third prize of the "Shanghai Science and Technology Award" (上海市科學技術獎) by the People's Government of Shanghai in November 2015; "Shanghai Youth May Fourth Medal" (上海市青年五四獎章) by the Shanghai Committee of the Communist Youth League and the Shanghai Municipal Human Resources and Social Security Bureau in April 2016; "Shanghai Pioneer in Outstanding Technologies" (上海市優秀技術帶頭人) by the Shanghai Science and Technology Committee in April 2017; and an "Outstanding Talent in 'Special Support Plan for High-level Talents of Wenzhou City" (溫州市"高層次人才特殊支持計劃"傑出人才) by the Office of the Leading Group for Talent Work, Wenzhou City Committee of the Communist Party of China in December 2019.

Dr. Wu Yanjun (吳艷軍), aged 48, was appointed as a Director and the Board secretary on March 31, 2022, and was re-designated as an executive Director and appointed as one of the joint company secretaries on November 11, 2022. Dr. Wu is responsible for the formulation of corporate development strategies as well as the external cooperation, financing and investment of the Group. He has served as a director of REPT SAIC since April 2022, and a director of Chongqing REPT BATTERO since March 2023. He has also served as a director of XCMG Tsingshan (Xuzhou) New Energy Vehicle Co., Ltd. (徐工青山(徐州)新能源汽車股份有限公司), an associate of Mr. Xiang, since May 2021.

Prior to joining the Group in February 2022, Dr. Wu successively served as a marketing manager at Canadian Inco Metals (Shanghai) Co., Ltd. (加商英可金屬(上海)有限公司) from April 2005 to July 2009, a marketing manager for Vale Minerals China Co., Ltd. (淡水河谷英可金屬(上海)有限公司) from March 2009 to February 2010, and a nickel and stainless steel industry consultant for Shanghai Jinyan Business Consulting Firm (General Partnership) (上海金研商務諮詢事務所(普通合夥)) from February 2010 to October 2010. Dr. Wu then served as a deputy general manager of Shanghai Dingtang Metals Co., Ltd. (上海鼎唐金屬材料有限公司) from October 2010 to June 2011, a deputy general manager of Yangjiang Century Tsingshan Nickel Industry Co., Ltd. (陽江世紀青山鎳業有限公司) (currently known as Guangdong Century Tsingshan Nickel Industry Co., Ltd. (廣東世紀青山鎳業有限公司)) from June 2011 to March 2013, vice president of Tsingtuo Industrial Group Co., Ltd. (青拓實業集團有限公司) (currently known as Tsingtuo Group Co., Ltd. (青拓集團有限公司)) from March 2013 to February 2014, and the general manager of Shanghai Tsingshan Trading Co., Ltd. (上海青山貿易有限公司) from March 2014 to February 2022.

Dr. Wu obtained a bachelor's degree in metal materials and heat treatment from Central South University of Technology (中南工業大學) (now known as Central South University) in July 1998, a master's degree in materials science from Central South University in June 2001, and a doctoral degree in microelectronics and solid state electronics from Shanghai Jiao Tong University (上海交通大學) in March 2005. Dr. Wu obtained the qualification of intermediate economist (中級經濟師) issued by the Ministry of Human Resources and Social Security of the PRC in November 2022.

Ms. Huang Jiehua (黃潔華), aged 41, was appointed as the chief financial officer of the Company on August 1, 2021, as a Director on August 4, 2022, and was re-designated as an executive Director on November 11, 2022. Ms. Huang is responsible for the accounting and financial management of the Group. She has served as a supervisor of Zhejiang Ruiyuan since May 2022, and a supervisor of REPT SAIC since April 2022.

Prior to joining the Group in August 2021, Ms. Huang served in REPT Technology Group Co., Ltd. (瑞浦科技集團有限公司) consecutively as a deputy general manager of finance department from August 2011 to April 2016, and the general manager of finance department from May 2016 to July 2021.

Ms. Huang obtained an associate degree in accounting, through long-distance education, from Zhejiang Institute of Economics and Trade (浙江經貿職業技術學院) in February 2008.

Non-executive Directors

Mr. Hu Xiaodong (胡曉東) (with former name as Hu Dong (胡冬)), aged 49, was appointed as a Director on June 12, 2020 and re-designated as a non-executive Director on November 11, 2022. He has also served as a director and vice chairman of the board of BatteroTech Shanghai since July 2020 and July 2022, respectively, a director of BatteroTech Jiashan since December 2020, a director of BatteroTech Wuhan since January 2021, a director of Zhejiang Ruiyuan since June 2022, a director of Guangdong REPT BATTERO since July 2021, and a director of BatteroTech Jiaxing since April 2023.

Mr. Hu has served as the chairman of the board of Yongqing Technology since September 2019. He has served as a director of Ruitu Energy since November 2022. He has also served as a director of Zhejiang Yongtuo New Material Technology Co., Ltd. (浙江永拓新材料科技有限公司) since September 2021, a director of Zhejiang Qingmowan Energy Technology Co., Ltd. (浙江青墨灣能源科技有限公司) since October 2021, a director of Ruizhou Energy Co., Ltd. (瑞洲能源有限公司) since June 2020, a director of Wenzhou Xinyongtuo New Materials Co., Ltd. (溫州新永拓新材料有限公司) since January 2022, and a director of Zhejiang Weiming Shengqing Energy New Materials Co., Ltd. (浙江偉明盛青能源新材料有限公司) since August 2022.

Mr. Hu served in various positions as the deputy secretary of the Communist Party of China committee of Taishun County of Wenzhou City and the district mayor of Lucheng District of Wenzhou City from September 1997 to April 2019; and the general manager of Wenzhou Mingcheng Construction Investment Group Co., Ltd. (溫州市名城建設投資集團有限公司) from April 2019 to September 2019.

Mr. Hu obtained an associate degree in Chinese secretary of the department of administration from Wenzhou University (溫州大學) in July 1994; a bachelor's degree in law, through long-distance education, from Peking University (北京大學) in July 2005; and a master's degree in economics and management, through long-distance education, from the Central Party School of the Communist Party of China (中共中央黨校) in July 2012.

Mr. Wang Haijun (王海軍), aged 54, was appointed as a Director on March 31, 2022 and re-designated as a non-executive Director on November 11, 2022.

Mr. Wang has served as a director and the president of Shanghai Decent since February 2007 and April 2007, respectively. Prior to that, he served as the general manager of Zhejiang Tsingshan Iron & Steel Co., Ltd. (浙江青山鋼鐵有限公司) from March 2004 to March 2005, and the chairman of the board of Tsingshan Holding Group Shanghai International Trading Co., Ltd. (青山控股集團上海國際貿易有限公司) from January 2005 to March 2007. From June 1992 to August 1995, Mr. Wang served as a deputy director of the liquid hydrogen and liquid oxygen rocket engine research laboratory at Beijing Aerospace Propulsion Institute (北京航天動力研究所). From August 1995 to March 2004, he served in multiple positions in Danieli Beijing Representative Office (意大利達涅利公司北京代表處), with his last positions as a deputy chief representative of Beijing Representative Office, and simultaneously, the chief representative of Shanghai Representative Office.

Mr. Wang obtained a master's degree in aerospace propulsion from the First Research Institute of the Ministry of Astronautics Industry (航空航天工業部第一研究院, currently known as China Academy of Launch Vehicle Technology (中國運載火箭技術研究院)) in August 1992.

Ms. Xiang Yangyang (項陽陽), aged 33, was appointed as a Director on March 31, 2022 and re-designated as a non-executive Director on November 11, 2022.

Ms. Xiang has served as the general manager of the strategic investment department of Shanghai Decent since July 2018. She served in multiple positions in Citibank N.A., Singapore, including a management associate from July 2013 to August 2016. From December 2016 to July 2018, Ms. Xiang served in Golden Harbor International Pte Ltd as a deputy general manager.

Ms. Xiang obtained a bachelor's degree in economics and business from Brandeis University in May 2013. Ms. Xiang has been a candidate of the Finance CEOs Program of PBC School of Finance, Tsinghua University since 2019.

Mr. Wei Yong (衛勇), aged 50, was appointed as a Director on April 11, 2022 and re-designated as a non-executive Director on November 11, 2022.

Mr. Wei has served as the acting chief financial officer and vice president of SAIC Motor (上汽集團) (a company listed on the Shanghai Stock Exchange, stock code: 600104) since September 2016 and July 2019, respectively. He has also served as the general manager of SAIC HK Investment Co., Ltd. (上海汽車香港投資有限公司) since September 2016. Prior to that, Mr. Wei served as a special officer of the strategic committee of the board of Shanghai Automotive Industry Corporation (Group) (上海汽車工業(集團)總公司) (currently known as Shanghai Automotive Industry Corporation (Group) (上海汽車工業(集團)有限公司)) from October 2003 to December 2004. Mr. Wei held various positions in SAIC Motor (上汽集團), including (i) the deputy head of the president office from December 2004 to April 2011; (ii) an executive director of capital operation department from April 2011 to August 2015; (iii) a securities business representative from March 2012 to July 2019; (iv) the head of office of the board from June 2014 to March 2017; (v) an executive director of securities business department from August 2015 to September 2016; (vi) the general manager of both securities business department and financial business department from September 2016 to August 2019; and (vii) the board secretary from May 2018 to July 2019. From September 2016 to September 2021, he served as the general manager of SAIC Investment Management Co., Ltd. (上海汽車集團投資管理有限公司).

Mr. Wei successively served in the comprehensive affairs division of the research office of Shanghai Committee of the Communist Party of China as (i) a senior staff member from December 1996 to April 2000, (ii) a principal staff member from April 2000 to February 2001, and (iii) deputy division researcher from February 2001 to January 2002, and in the economy division of the research office of Shanghai Committee of the Communist Party of China as a deputy division director from January 2002 to October 2003.

Mr. Wei obtained a bachelor's degree in economics from School of Finance majoring in insurance, and a master's degree in economics majoring in monetary banking from Shanghai University of Finance and Economics (上海財經大學) in June 1993 and December 1995, respectively.

Mr. Yu Xinhua (俞信華), aged 48, was appointed as a Director on August 4, 2022 and re-designated as a non-executive Director on November 11, 2022.

Mr. Yu joined IDG Capital in October 2005, and currently serves as a partner, primarily responsible for investments in advanced technology and smart manufacturing sectors.

Mr. Yu obtained a bachelor's degree in thermal processing technology and equipment from Zhejiang University (浙江大學) in June 1997. Mr. Yu was recognized multiple times as one of the top investors in China by the list of "Forbes China Top 100 Venture Capitalists" (福布斯中國創投人排行榜Top 100) in 2021 and the list of "China Venture Top 100 Best Venture Capitalists in China" (投中中國最佳創業投資人Top 100) in 2020.

Independent Non-executive Directors

Ms. Wong Sze Wing (黃斯穎), aged 44, was appointed as our independent non-executive director on November 11, 2022 with effect from the [**REDACTED**].

Ms. Wong served as a manager at PricewaterhouseCoopers from September 2001 to October 2006. She then successively served as the chief financial officer of Orange Sky Entertainment Group (International) Holding Company Limited (橙天娛樂集團(國際)控股有限公司) from August 2007 to July 2008. She served as the joint company secretary of Yingde Gases Group Company Limited (盈德氣體集團有限公司) from February 2009 to March 2017 and has served as its chief financial officer since July 2010. She has been an independent non-executive director of Orange Sky Golden Harvest Entertainment (Holdings) Limited (a company listed on the Hong Kong Stock Exchange, stock code: 1132) since April 2010, an independent non-executive director of Rici Healthcare Holdings Limited (a company listed on the Hong Kong Stock Exchange, stock code: 1526) since June 2016, an independent non-executive director of Wangsu Science and Technology Co., Ltd. (網宿科技股份有限公司, a company listed on the Shanghai Stock Exchange, stock code: 300017) since March 2017, an independent non-executive director of Ganfeng Lithium Co., Ltd. (江西贛鋒鋰業股份有限公司, a company listed on the Hong Kong Stock Exchange, stock code: 1772, and listed on the Shenzhen Stock Exchange, stock code: 002460) since July 2018, and an independent non-executive director of Giant Biogene Holding Co., Ltd (a company listed on the Hong Kong Stock Exchange, stock code: 2367) since April 2022. She also served as an independent director of Zhejiang Dahua Technology Co., Ltd. (浙江大華技術股份有限公司, a company listed on the Shenzhen Stock Exchange, stock code: 002236) from April 2017 to August 2020 and an independent non-executive director of Xinjiang La Chapelle Fashion Co., Ltd. (新疆拉夏貝爾服飾股份有限公司, a company listed on the Hong Kong Stock Exchange, stock code: 06116) from January 2021 to June 2021.

Ms. Wong obtained a bachelor's degree in business administration from University of Hong Kong in November 2001. She also obtained an executive master of business administration degree from China Europe International Business School in July 2012. Ms. Wong became a chartered member and then a fellow of the Hong Kong Institute of Certified Public Accountants.

Dr. Wang Zhenbo (王振波), aged 49, was appointed as our independent non-executive director on November 11, 2022 with effect from the [**REDACTED**].

Dr. Wang has served in Harbin Institute of Technology (哈爾濱工業大學) since July 1998, consecutively held positions as a lecturer, and an associate researcher, and currently serves as a professor and doctoral supervisor since December 2013 and April 2011, respectively, with his researches mainly focusing on advanced chemical power supplies, hydrogen fuel cells, electrocatalysis, and nanoelectrode materials. He served as the head of department of electrochemical engineering of Harbin Institute of Technology from May 2019 to May 2021. He has also served as a distinguished professor at Shenzhen University (深圳大學) since September 2020.

Dr. Wang obtained a bachelor's degree in electrochemical production process in July 1998, a master's degree in applied chemistry in January 2003, and a doctoral degree in applied chemistry in December 2005 from Harbin Institute of Technology.

Dr. Wang was selected as a member of Young and Middle-Aged Industrial Leaders of Science and Technology by Ministry of Science and Technology of the PRC (科技部中青年科技創新領軍人才) in October 2018, as a member of National High-Level Personnel (國家級高層次人才) in February 2019, as a member of Industry Leading Talent of Taishan, Shandong Province (山東省泰山產業領軍人才) in February 2017, as a member of Program of Innovative and Entrepreneurial Talent of Jiangsu Province (江蘇省「雙創人才」) in July 2019, and was elected in the Longjiang Scholars Program of Heilongjiang Province (黑龍江省「龍江學者」) as a distinguished professor in October 2017. He was awarded the Most Cited Chinese Researchers by Elsevier for eight consecutive years from 2014 to 2021. He won the First Prize of Natural Science in Heilongjiang Province (黑龍江省自然科學一等獎) twice in July 2008 and December 2018, respectively, the Second Prize of Zhejiang Province Achievement Transformation Award (浙江省科技成果轉化二等獎) in 2012, and the First Prize of Harbin Institute of Technology Teaching Achievement Award (哈爾濱工業大學教學成果一等獎) in December 2019.

Dr. Ren Shenggang (任勝鋼), aged 47, was appointed as our independent non-executive director on November 11, 2022 with effect from the [**REDACTED**].

Dr. Ren has served in Central South University (中南大學) since July 2004, and is currently serving as a professor since October 2010, the secretary of Party Committee since January 2019 and a doctoral supervisor since July 2012 at business school, the director of the center for research on national governance policy and business organization since December 2019, and the deputy executive director of the collaborative innovation center of building a resource-conserving, environment-friendly society and ecological civilization, which was approved as a "2011 Collaborative Innovation Center" of Hunan Province, since September 2018.

Dr. Ren obtained a doctoral degree in management in June 2004 from Fudan University. He was selected into the "Program for New Century Excellent Talents in University" of the Ministry of Education (教育部新世紀優秀人才支持計劃) in December 2012.

Dr. Simon Chen, aged 63, was appointed as our independent non-executive director on November 11, 2022 with effect from the [**REDACTED**].

Dr. Chen has served as an independent director in TSP Canada Towers Inc. since September 2014. Prior to that, he served in the faculty of civil engineering (currently known as the college of civil engineering and architecture) of Zhejiang University (浙江大學) as a lecturer from July 1985 to December 1988. After that, he served as a postdoctoral researcher in the University of Alberta from August 1993 to October 1994, and the chief engineer in Waiward Construction Management Inc. from October 1994 to May 1995. He then served in Atomic Energy of Canada Ltd as the engineering lead from May 1997 to July 2003, and the engineering manager from July 2003 to July 2007, respectively. He then served as the SCM strategic manager in Suncor Energy Inc. from July 2007 to December 2008, an onshore manager in Westinghouse-Shaw Consortium from December 2008 to March 2013, a technical advisor in China General Nuclear Power Corporation (中國廣核集團有限公司) from March 2014 to June 2014, and a senior manager in TC Energy Corporation from April 2014 to October 2020.

Dr. Chen obtained a bachelor's degree in civil engineering and a master's degree in structural engineering from the faculty of civil engineering of Zhejiang University in July 1982 and July 1985, respectively. He then obtained a doctoral degree in structural engineering from the University of Alberta in March 1993.

SUPERVISORS

The following table sets forth the key information about the Supervisors as at the Latest Practicable Date.

Name	Age	Position	Responsibilities	Date of first appointment as Supervisor	Date of joining the Group
Mr. Qu Enci (瞿恩慈)	39	Shareholder representative Supervisor and Chairman of the Supervisory Committee	Overseeing the operations, financial activities, internal control and risk conditions of the Group	March 31, 2022	March 31, 2022
Mr. Fang Yihui (房熠暉)	34	Shareholder representative Supervisor	Overseeing the operations, financial activities, internal control and risk conditions of the Group	August 4, 2022	August 4, 2022
Ms. Jin Shanyan (金珊燕)	50	Employee representative Supervisor and financial manager	Overseeing the operations, financial activities, internal control and risk conditions of the Group	March 31, 2022	January 1, 2018

Mr. Qu Enci (瞿恩慈), aged 39, was appointed as a shareholder representative Supervisor and the chairman of the Supervisory Committee of the Company on March 31, 2022. He has also served as a supervisor of Guangdong REPT BATTERO since January 2022, and a supervisor of BatteroTech Jiaxing since April 2023.

Mr. Qu has held various positions in relation to financial management in subsidiaries of Tsingshan Group since February 2011. He has served as the deputy general manager of finance from November 2019 to January 2022 and the general manager of finance of Yongqing Technology since January 2022. Mr. Qu used to serve as the accountant in charge of Zhejiang Tsingshan Iron & Steel Co., Ltd. (浙江青山鋼鐵有限公司) from February 2006 to April 2007, and the financial director of Gihooo Group Industry Co., Ltd. (傑豪集團有限公司) from April 2007 to January 2011.

Mr. Qu obtained an associate degree in financial accounting from Zhejiang Forestry Institution (浙江林學院) (now known as (Zhejiang A&F University (浙江農林大學)) in June 2004 and a bachelor's degree, through long-distance education, in business administration from Shanghai Jiao Tong University in January 2007. He obtained the senior accountant qualification from the Human Resources and Social Security Department of Fujian Province in September 2019.

Mr. Fang Yihui (房熠暉), aged 34, was appointed as a shareholder representative Supervisor of the Company on August 4, 2022.

Mr. Fang has served as a deputy general manager of Beijing Wenming Investment Fund Management Co., Ltd. (北京聞名投資基金管理有限公司) since September 2019. Prior to that, he served as a manager of institutions department of China Securities Co., Ltd. Beijing Anli Road Business Department (中信建投証券股份有限公司北京安立路証券營業部) (currently known as China Securities Co., Ltd. Beijing Chaoyang Branch, 中信建投証券股份有限公司北京朝陽分公司) from September 2015 to July 2018.

Mr. Fang obtained a master of business administration degree from Oklahoma City University in July 2015. He obtained securities practice qualification from the Securities Association of China in March 2016, and fund practice qualification from the Asset Management Association of China in November 2021.

Ms. Jin Shanyan (金珊燕), aged 50, was appointed as an employee representative Supervisor of the Company on March 31, 2022. She has also served as a supervisor of Chongqing REPT BATTERO since March 2023.

Ms. Jin joined the Company in January 2018 and has served as a financial manager of the Company since then. Prior to joining our Group, Ms. Jin joined Tsingshan Group in May 2012, where she served as the director of accounting department from May 2012 to December 2017, and concurrently served as an assistant to the general manager of finance from July 2017 to December 2017.

Ms. Jin obtained an associate degree in accounting, through long-distance education, from Zhejiang Finance and Economics Institution (浙江財經學院) (now known as Zhejiang University of Finance and Economics (浙江財經大學)) in June 2005, and a bachelor's degree in accounting, through long-distance education, from Lanzhou University (蘭州大學) in July 2013. She obtained the intermediate accountant qualification from the Wenzhou Municipal Human Resources and Social Security Bureau in May 2011.

SENIOR MANAGEMENT

The following table sets forth the key information about the senior management as at the Latest Practicable Date.

Name	Age	Position	Responsibilities	Date of first appointment	Date of joining the Group
Dr. Cao Hui (曹輝)	44	Chairman of the Board, executive Director and president	Formulation of the strategic direction and the day-to-day management of the Group	Appointed on October 25, 2017 as the chairman of the Board and president, on March 31, 2022 as a Director, and re-designated as an executive Director on November 11, 2022	October 8, 2017
Dr. Wu Yanjun (吳艷軍)	48	Executive Director, Board secretary and one of the joint company secretaries	Formulation of corporate development strategies as well as external cooperation, financing and investment of the Group	Appointed on March 31, 2022 as a Director and the board secretary, re-designated as an executive Director and appointed as one of the joint company secretaries on November 11, 2022	February 8, 2022
Ms. Huang Jiehua (黃潔華)	41	Executive Director and chief financial officer	Responsible for the accounting and financial management of the Group	Appointed on August 1, 2021 as the chief financial officer, and on August 4, 2022 as a Director, and re-designated as an executive Director on November 11, 2022	August 1, 2021
Dr. Hou Min (侯敏)	46	Vice president	R&D of cell, module and system technology and test and trial production platform management of the Group	November 1, 2017	November 1, 2017

Name	Age	Position	Responsibilities	Date of first appointment	Date of joining the Group
Mr. Yu Zhaoyu (余招宇)	44	Vice president	Construction of production facilities and production operations of the Group	October 8, 2017	October 8, 2017
Mr. Cao Kai (曹楷)	40	Vice president	R&D of passenger car pack and BMS technology in the technology center of the Group, and system manufacturing management of the Group	Appointed on February 1, 2018 as the director of system technology and on April 20, 2022 as a vice president	January 22, 2018

For the biographical details of Dr. Cao Hui, Dr. Wu Yanjun and Ms. Huang Jiehua, please refer to "– Executive Directors."

Dr. Hou Min (侯敏), aged 46, was appointed as a vice president of the Company on November 1, 2017 and is responsible for the R&D of cell, module and system technology and test and trial production platform management of the Group. Dr. Hou has also served as the general manager of REPT Qingchuang since November 2017.

Prior to joining the Group in November 2017, Dr. Hou served as an assistant researcher in Chengdu Institute of Organic Chemistry, Chinese Academy of Sciences (中國科學院成都有機化學研究所) from August 2003 to December 2005, and consecutively as a R&D engineer and the director of R&D of Shanghai Nandu Energy Technology Co., Ltd. (上海南都能源科技有限公司) from January 2006 to February 2009. She then served as the manager of technology center of Shanghai Aerospace Power Technology Co., Ltd. (上海航天電源技術有限責任公司) from March 2009 to October 2017.

Dr. Hou obtained a bachelor's degree in chemical engineering and technology, and a master's degree in applied chemistry from Harbin Institute of Technology in July 2000 and July 2003, respectively. She obtained a doctoral degree in chemical engineering and technology from Harbin Institute of Technology in January 2022. She was recognized as a senior engineer by the Professional and Technical Job Evaluation Committee of Shanghai Aerospace Bureau in August 2013, and a chief senior engineer by the Shanghai Natural Science Research Series Senior Professional and Technical Position Qualification Evaluation Committee in December 2020.

Dr. Hou has also received multiple honors for her achievements in battery industry, including the second prize of "Technology Innovation Individual Award" by Shanghai Academy of Spaceflight Technology in February 2015; the third prize of "Science and Technology Invention Award" by the China Aerospace Science and Technology Corporation in April 2015; the third prize of "Shanghai Science and Technology Award" by Shanghai Municipal People's Government in November 2015; the honorary title of "Star of Effectiveness and Excellence" (創效創優明星) by Shanghai Academy of Spaceflight Technology in January 2017; and the honorary title of "Red-Flag Bearer on March 8th" (三八紅旗手) by Shanghai Academy of Spaceflight Technology in March 2017, and she was selected as a Leading Talent for Scientific and Technological Innovation in "Special Support Plan for High-level Talents" of Wenzhou City by the Leading Group for Talent Work of Wenzhou Municipal Committee of the Communist Party of China in October 2020. She was appointed as an expert of Wenzhou Science and Technological Innovation Think Tank (溫州市科技創新智庫專家) in October 2021. Dr. Hou has participated in the development of more than 100 patents, and has published several academic papers.

Mr. Yu Zhaoyu (余招宇), aged 44, was appointed as a vice president of the Company on October 8, 2017 and is responsible for the construction of production facilities and production operations of the Group. He has also served as the chairman of the Board of REPT Qingchuang since January 2018, a director and the general manager of Zhejiang Ruixu since December 2019, the chairman of the board and general manager of REPT SAIC since April 2022, a director of Wenzhou Xinke since April 2022, and the chairman and manager of Chongqing REPT BATTERO since March 2023. He has also served as the executive director and general manager of Liuzhou Qingyu Information Technology Services Co., Ltd. (柳州青宇信息技術服務有限公司) since April 2022.

Prior to joining the Group in October 2017, Mr. Yu worked as a director of process engineering department in Zhejiang Narada Power Source Co., Ltd. (浙江南都電源動力股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 300068) from October 2004 to February 2011, and manager of manufacturing center of Shanghai Aerospace Power Technology Co., Ltd. (上海航天電源技術有限責任公司) from March 2011 to September 2017.

Mr. Yu obtained a bachelor's degree in metallurgical engineering from Central South University in June 2003. He was recognized as a senior engineer by China Aerospace Science and Technology Corporation in August 2014.

Mr. Yu has received the honorary title of "Star of Effectiveness and Excellence" (創效創優明星) by Shanghai Academy of Spaceflight Technology in February 2015, and was recognized as a leading talent in scientific and technological innovation of "Luofeng Leading Goose Plan" (羅峰領雁計劃) of Wenzhou City in July 2020.

Mr. Cao Kai (曹楷), aged 40, was appointed as the director of system technology of the Company on February 1, 2018, and as a vice president of the Company on April 20, 2022. He is responsible for the R&D of passenger car pack and BMS technology in the technology center of the Group, and system manufacturing management of the Group. He has also served as a director of SAIC REPT EV Battery System Co., Ltd. (賽克瑞浦動力電池系統有限公司) since April 2022.

Prior to joining the Group in February 2018, Mr. Cao worked in Raintree Scientific Instruments (Shanghai) Co., Ltd. (睿勵科學儀器(上海)有限公司) from January 2006 to December 2006. He then held a professional technical position in Pan Asia Technical Automotive Center Co., Ltd. (泛亞汽車技術中心有限公司) from December 2009 to April 2016. He served in several positions in Changzhou Durui Lianxing Investment Management Co., Ltd. (常州杜瑞聯行投資管理有限公司), including an assistant chief engineer for EV batteries from April 2016 to August 2016 and a counsel from August 2016 to February 2018.

Mr. Cao obtained a bachelor's degree in automotive engineering from Tsinghua University in July 2002, and a master's degree in optical engineering from Shanghai Institute of Optics and Fine Mechanics, Chinese Academy of Sciences in July 2005.

Save as disclosed in this section, none of the Directors, Supervisors or senior management has held any directorship in any public company the securities of which are listed on any securities market in Hong Kong or overseas during the three years immediately preceding the Latest Practicable Date.

As at the Latest Practicable Date:

(i) none of the Directors had any interests in any business, which competes or is likely to compete, either directly or indirectly, with our business;

(ii) none of the Directors, Supervisors or members of the senior management of the Company is related to any other Directors, Supervisors and members of the senior management;

(iii) save as disclosed in the section headed "Statutory and General Information", none of the Directors, Supervisors or members of the senior management holds any interest in the Shares which would be required to be disclosed pursuant to Part XV of the Securities and Futures Ordinance; and

(iv) there is no additional matter with respect to the appointment of the Directors or Supervisors that needs to be brought to the attention of the Shareholders, and there is no additional information relating to the Directors or Supervisors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

JOINT COMPANY SECRETARIES

Dr. Wu Yanjun (吳艷軍) is one of our joint company secretaries. For the biographical details of Dr. Wu, please refer to "– Executive Directors."

Ms. Zhang Xiao (張瀟) is one of our joint company secretaries. Ms. Zhang is a senior manager of SWCS Corporate Services Group (Hong Kong) Limited, a professional services provider specializing in corporate services, and has over seven years of experience in the corporate secretarial field. Ms. Zhang has been admitted as an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom in 2019.

Ms. Zhang obtained a bachelor's degree in computer science from The Chinese University of Hong Kong in 2010 and a master's degree in corporate governance from The Open University of Hong Kong (currently known as Hong Kong Metropolitan University) in 2018.

BOARD COMMITTEES

The Company has established three Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee.

Audit Committee

The Audit Committee consists of three Directors, namely Ms. Wong Sze Wing, Dr. Simon Chen and Dr. Ren Shenggang, with Ms. Wong Sze Wing currently serving as the chairlady. Ms. Wong Sze Wing has the appropriate professional experiences as required under Rules 3.10(2) and 3.21 of the Listing Rules. The Audit Committee is mainly responsible for reviewing and overseeing the financial reporting procedure and internal control system of the Group.

Remuneration Committee

The Remuneration Committee consists of three Directors, namely Dr. Wang Zhenbo, Dr. Cao Hui and Ms. Wong Sze Wing, with Dr. Wang Zhenbo currently serving as the chairman. The Remuneration Committee is mainly responsible for evaluating the remuneration policies for Directors and senior management of the Group and making recommendations thereon to the Board.

Nomination Committee

The Nomination Committee consists of three Directors, namely Dr. Cao Hui, Dr. Wang Zhenbo and Dr. Ren Shenggang, with Dr. Cao Hui currently serving as the chairman. The Nomination Committee is mainly responsible for identifying, screening and recommending to the Board qualified candidates to serve as the Directors and monitoring the procedures for evaluating the performance of the Board.

DIVERSITY

The Company [has adopted] the board diversity policy which sets out the objective and approach for achieving and maintaining diversity of the Board in order to enhance its effectiveness. In accordance with the board diversity policy, the Company seeks to achieve board diversity by taking into account a number of factors, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and/or length of service.

The Board currently consists of nine male and three female members, with three executive Directors, five non-executive Directors and four independent non-executive Directors, of ages ranging from 33 to 63 with diversified backgrounds and experience. We consider that our Board has a balanced mix of skill-set, experience, expertise, and diversity which enhances decision-making capability and the overall effectiveness of the Board in achieving sustainable business operation and enhancing shareholder value. In recognition of the importance of gender diversity, the Company has taken, and will continue to take steps to promote gender diversity in the Board. The Company will continue to consider increasing the proportion of female Board members over time when selecting suitable new or additional candidates for appointments to the Board so as to ensure that appropriate gender diversity is achieved.

Upon the [**REDACTED**], the Nomination Committee will from time to time (i) discuss and agree on expected goals to ensure board diversity, and (ii) review and, where necessary, update the board diversity policy to ensure that the policy remains effective. The Company will (i) disclose the biographical details of each Director and (ii) report on the implementation of the board diversity policy (including whether the Company has achieved board diversity) in its annual corporate governance report.

CODE PROVISION C.2.1 OF THE CORPORATE GOVERNANCE CODE

Dr. Cao Hui is the chairman of the Board and the president of the Company. In view of Dr. Cao's experience, personal profile and his roles in the Company as mentioned above, the Board considers it beneficial to the business prospects and operational efficiency of the Company that Dr. Cao, in addition to acting as the chairman of the Board, continues to act as the president of the Company after the [**REDACTED**].

While this will constitute a deviation from Code Provision C.2.1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, the Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that:

(i) there is sufficient check and balance in the Board as the decision to be made by the Board requires approval by at least a majority of the Directors and our Board has five non-executive director as well as four independent non-executive Directors out of the twelve Directors, which is in compliance with the Listing Rules;

(ii) Dr. Cao and the other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that they act for the benefit and in the best interest of the Company and make decisions for the Company accordingly;

(iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of the Company; and

(iv) the overall strategic and other key business, financial, and operational policies of the Company are made collectively after thorough discussion at both Board and senior management levels. The Board will continue to review the effectiveness of the corporate governance structure of the Company in order to assess whether separation of the roles of the chairman of the Board and the president of the Company is necessary.

Save as disclosed above, we are in compliance with the requirements under all Code Provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules.

DIRECTORS' AND SUPERVISORS' REMUNERATION AND REMUNERATION OF FIVE HIGHEST PAID INDIVIDUALS

The Directors, Supervisors and senior management members who receive remuneration from the Company are paid in forms of salaries, allowances, discretionary bonuses, share award scheme and other benefits in kind. The remuneration of the Directors, Supervisors and senior management members is determined with reference to the remuneration paid by relevant companies in the same industry and the achievement of major operating indicators of the Company.

The aggregate amount of remuneration (including salaries, allowances, contribution to pension schemes, share award scheme and discretionary bonuses) and other benefits in kind paid to the Directors for each of the years ended December 31, 2020, 2021 and 2022 amounted to RMB0.55 million, RMB16.13 million, and RMB50.30 million, respectively. The aggregate amount of remuneration (including salaries, allowances, share award scheme and discretionary bonuses) and other benefits in kind paid to the five highest paid individuals (including the Directors) for each of the years ended December 31, 2020, 2021 and 2022 amounted to RMB3.38 million, RMB36.88 million, and RMB105.13 million, respectively.

Under the arrangement currently in force, the Company estimates that the aggregate fixed remuneration (before tax) payable to the Directors and Supervisors for the year ending December 31, 2023 is approximately RMB2.32 million.

During the Track Record Period, no fees were paid by the Company to any of the Directors (or former Directors) or the five highest paid individuals as an inducement to join the Company or as compensation for loss of office. None of the Directors or Supervisors waived their remuneration during the Track Record Period.

Information on the service contracts entered into between the Company and the Directors is set out in "Appendix VI – Statutory and General Information."

SHARE INCENTIVE SCHEMES

In order to incentivize employees for their contribution to the Group and to attract and retain suitable personnel to the Group, the Company adopted the 2021 Share Incentive Scheme, the 2022 Share Incentive Scheme and the Share Incentive Scheme of BatteroTech Shanghai. For further details, see "Appendix VI – Statutory and General Information – The Share Incentive Schemes".

COMPLIANCE ADVISOR

The Company has appointed Red Solar Capital Limited as our compliance advisor in compliance with Rules 3A.19 and 19A.05 of the Listing Rules. The material terms of the compliance adviser's agreement are as follows:

(i) Red Solar Capital Limited shall act as our compliance advisor for the purpose of Rules 3A.19 and 19A.05 of the Listing Rules for a period commencing on the [**REDACTED**] and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the [**REDACTED**], or until the agreement is terminated, whichever is earlier;

(ii) the compliance advisor will provide us with certain services, including proper guidance and advice as to compliance with the requirements under the Listing Rules and applicable laws, regulations and rules;

(iii) the compliance advisor will, as soon as reasonably practicable, inform us of any amendment or supplement to the Listing Rules announced by the Hong Kong Stock Exchange from time to time, and of any amendment or supplement to the applicable laws, regulations and rules; and

(iv) the compliance advisor will act as one of the key channels of communication of the Company with the Hong Kong Stock Exchange.

FUTURE PLANS AND PROSPECTS

See "Business – Development Strategies" for a detailed description of our future plans.

USE OF [REDACTED]

We estimate that we will receive net [**REDACTED**] from the [**REDACTED**] of approximately [**REDACTED**], after deducting [**REDACTED**], fees and estimated expenses payable by us in connection with the [**REDACTED**], assuming an [**REDACTED**] of [**REDACTED**] per Share, being the mid-point of the indicative [**REDACTED**] range stated in this document, and assuming no exercise of the [**REDACTED**].

We currently intend to apply these net [**REDACTED**] for the following intended purposes in the amounts set forth below:

1. approximately [**REDACTED**], or [**REDACTED**] (equivalent to approximately [**REDACTED**]), will be used for the expansion of our production capacity, which is one of our key development strategies as detailed in "Business – Development Strategies" and "Business – Production – Planned Production Facilities." As of the December 31, 2022, our designed annual production capacity reached 35.2GWh. In response to the growing downstream demands, we will further expand our production capacity. In particular:

   (i) approximately [**REDACTED**], or [**REDACTED**] (equivalent to approximately [**REDACTED**]), will be used to pay part of the expenses for the construction of production facility in Wenzhou, Zhejiang province ("***Wenzhou Facility III***"), with a designed annual production capacity of approximately 24.0GWh, to expand our production capacity of both EV and ESS battery products. In particular:

      (a) approximately [**REDACTED**], or [**REDACTED**] (equivalent to approximately [**REDACTED**]), will be used for the payment of construction costs of (1) two main plants, both of which are compatible with production of both EV and ESS battery products, and (2) ancillary infrastructures, such as warehouses, employee dormitories and dining halls; and

      (b) approximately [**REDACTED**], or [**REDACTED**] (equivalent to approximately [**REDACTED**]), will be used for the purchase and installation of equipment for manufacturing and testing of battery products.

   The construction of Wenzhou Facility III is expected to be commenced in second half of 2023. We expect to put it into production in first half of 2024.

(ii) approximately [**REDACTED**], or [**REDACTED**] (equivalent to approximately [**REDACTED**]), will be used to pay part of the expenses for the construction of production facility in Foshan, Guangdong province ("***Foshan Facility I***"), with a designed annual production capacity of approximately 16.0GWh, to expand our production capacity of both EV and ESS battery products. In particular:

(a) approximately [**REDACTED**], or [**REDACTED**] (equivalent to approximately [**REDACTED**]), will be used for the payment of part of construction costs of (1) two main plants, which are compatible with production of both EV and ESS battery products, and (2) ancillary infrastructures, such as warehouses, employee dormitories and dining halls; and

(b) approximately [**REDACTED**], or [**REDACTED**] (equivalent to approximately [**REDACTED**]), will be used for the purchase and installation of equipment for manufacturing and testing of battery products.

The construction of Foshan Facility I commenced in June 2022, and is expected to be put into production in the second half of 2023.

(iii) approximately [**REDACTED**], or [**REDACTED**] (equivalent to approximately [**REDACTED**]), will be used to pay part of the expenses for the construction of production facility in Chongqing ("***Chongqing Facility***"), with a designed annual production capacity of approximately 30.0GWh, to expand our production capacity of both EV and ESS battery products. In particular:

(a) approximately [**REDACTED**], or [**REDACTED**] (equivalent to approximately [**REDACTED**]), will be used for the payment of construction costs of (1) four main plants, which are compatible with production of both EV and ESS battery products, and (2) ancillary infrastructures, such as warehouses, employee dormitories and dining halls; and

(b) approximately [**REDACTED**], or [**REDACTED**] (equivalent to approximately [**REDACTED**]), will be used for the purchase and installation of equipment for manufacturing and testing of battery products.

The construction of Chongqing Facility is expected to be commenced in the second half of 2023. We expect to put it into production in second half of 2024.

The allocation of the net [**REDACTED**] from the [**REDACTED**] for the construction of plants and ancillary infrastructures, and the purchase and installation of equipment for manufacturing and testing of battery products for our production facilities as disclosed above, was mainly determined based on (i) the scale and number of plants and the ancillary infrastructures needed to support our production activities, (ii) the types and number of equipment required to design and produce our battery products, (iii) the schedule of construction and production, and (iv) the availability in amount and time of other finance resources for our expansion plans.

We estimate that the total investment amount of the above three production facilities under construction will be [**REDACTED**], of which [**REDACTED**] will be the net [**REDACTED**] from the [**REDACTED**], and [**REDACTED**] will be raised from other sources, including banking facilities and cash on hand. The estimated total investment amount of above production facilities is determined based on the feasibility study reports issued by third parties, which takes into consideration of, among other factors, the planned production capacity, the size of lands, number and scale of plants and ancillary infrastructures and the equipment needed for production. Such investment amounts will mainly be used for civil engineering, construction of plants and ancillary infrastructures, purchase and installation of equipment and preparation of production. The table below sets forth our proposed allocation of net [**REDACTED**] for the expansion of our production capacity:

Project	**Total investment amount of the Project**	**Investment made as of December 31, 2022**	**Net [REDACTED] to be used in this project**		
	(in RMB million)	*(in RMB million)*	*(in RMB million)*		
			2023	**2024**	**2025**
Wenzhou Facility III	5,293.4	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Foshan Facility I	4,230.0	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Chongqing Facility	5,774.0	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	**15,297.4**	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

The table below sets forth our expected designed annual production capacity as of December 31, 2023, 2024 and 2025, if our production expansion plan is executed as we planned. See "Business – Production – Planned Production Facilities."

	Designed annual production capacity as of December 31,		
	2023	**2024**	**2025**
		(in GWh)	
Total	77	132	over 150

As all of our existing and planned production lines are designed to be compatible with the production of different battery products, we may allocate and adjust above designed annual production capacity between EV and ESS battery products from time to time based on the actual market demands for our products in the future.

2. approximately [**REDACTED**], or [**REDACTED**] (equivalent to approximately [**REDACTED**]), will be used for R&D, which is one of our key development strategies. Such amount will be used to fund the R&D of core technologies for advanced lithium-ion batteries, advanced materials and advanced manufacturing processes. The net [**REDACTED**] allocated below are mainly determined based on (i) the types and amount of equipment, experimental materials and consumables needed for our R&D activities and also our verification platform, (ii) the schedule of our R&D activities and the construction of our verification platform, and (iii) the availability in amount and time of other finance resources for our R&D activities. In particular:

   (i) approximately [**REDACTED**], or [**REDACTED**] (equivalent to approximately [**REDACTED**]), will be used to develop the next-generation battery products and core technologies, including ultra-long cycle life ESS batteries and ultra-fast charging EV batteries. For ESSs, ESS battery products with long cycle life are favored by the markets as the batteries can operate for longer, which potentially reduce the replacement costs. As part of our development strategies, we plan to further increase the cycle life of our ESS battery products. For EVs, fast charging is one of the most important factors consumers would take into account when purchasing EVs, which in turn is one of the factors our EV battery customers would consider when purchasing our EV battery products. To meet such fast charging needs, we devoted our efforts and plan to further shorten the charging time of our EV battery products. We believe such increased cycle life of ESS battery products and shortened charging time of EV battery products would help us maintain our technological advantages for the future competition;

(ii) approximately [**REDACTED**], or [**REDACTED**] (equivalent to approximately [**REDACTED**]), will be used to develop the high-energy density semi-solid state, quasi-solid state and solid state batteries, and sodium-ion batteries and technologies, and establish a comprehensive analysis and verification platform. Compared to liquid batteries, solid state batteries have many competitive advantages such as higher energy density, enhanced reliability and high charging efficiency, which is generally considered as the development trend of the next generation battery in the lithium-ion battery industry, according to the F&S Report. To maintain our technological advantages, we devoted our efforts to develop technologies to decrease the proportion of liquid materials in our batteries by developing the semi-solid batteries and quasi-solid batteries, and aim to develop the solid batteries in the future. We also plan to establish a comprehensive analysis and verification platform for our battery products in Wenzhou, which will have functions such as researching and verifying new battery cells, modules and packs, and also testing of environmental applicability and durability of battery cells, modules and packs. We plan to commence the construction of such platform in January 2024, and put it into operation from June 2024.

(iii) approximately [**REDACTED**], or [**REDACTED**] (equivalent to approximately [**REDACTED**]), will be used to develop the EV and ESS battery systems that focus on high energy density, high safety, ultra-long cycle life and multi-application scenarios, such as passenger vehicles, commercial vehicles, specialty vehicles and household and commercial ESSs. Battery systems integrate systems such as BMS, EMS and PCS, which are expected to be of high safety and able to bring advantages to EV battery systems advantages such as long driving rage and high system integration efficiency, and advantages to ESS battery systems such as long circle life and intelligent remote monitoring management. We believe our battery systems with above features could help us maintain our technological advantages; and

(iv) approximately [**REDACTED**], or [**REDACTED**] (equivalent to approximately [**REDACTED**]), will be used to develop the environment-friendly EV batteries and renewable materials technologies with lower costs. We plan to produce environment-friendly EV batteries through the use of renewable materials, improving the design of electrodes and optimizing the manufacturing processes. Such environment-friendly EV batteries are expected to be able to satisfy the national safety and performance requirements of EV batteries, and at the same time save costs and reduce carbon emission. We plan to devote our time and efforts to make breakthrough in renewable materials technologies in fields such as recycling of cathode materials and refined use of recycled materials in multi-application scenarios. Currently, the environment-friendly EV batteries and renewable materials are emerging technologies and potential market for competition, according to the F&S Report. Therefore, if we could seize the opportunities and achieve breakthrough in this area before our competitors, we believe this could help maintain our technological advantages.

We believe our R&D plans above could be well supported by our sufficient R&D expertise and experience by taking into consideration of our strong R&D capabilities and the fruitful R&D activities in the past few years since our establishment in 2017. We have R&D centers in Shanghai and Wenzhou and another one in Jiashan which is under construction, with 2,063 R&D personnel involved in R&D functions as of December 31, 2022. Led by Dr. Cao Hui, the chairman of the board and president of the Company, who is an expert with more than 20 years of experience in lithium-ion industry, our R&D team have made breakthrough in a series of technologies in the industry. Since established in 2017, we have successfully developed and commercialized many cutting-edge technologies, such as WenDing technology, Easy-for-Tera cells, versatile power station and semi-solid prismatic batteries. See "Business – Overview – Our R&D Capabilities," and "Directors, Supervisors and Senior Management – Directors – Executive Directors."

3. approximately [**REDACTED**], or [**REDACTED**] (equivalent to approximately [**REDACTED**]), will be used for working capital and other general corporate purposes.

If the [**REDACTED**] is set at [**REDACTED**] per Share, being the high end of the indicative [**REDACTED**] range, and assuming no exercise of the [**REDACTED**], the net [**REDACTED**] from the [**REDACTED**] will increase to approximately [**REDACTED**]. If the [**REDACTED**] is set at [**REDACTED**] per Share, being the low end of the indicative [**REDACTED**] range, and assuming no exercise of the [**REDACTED**], the net [**REDACTED**] from the [**REDACTED**] will decrease to approximately [**REDACTED**]. The above allocation of the net [**REDACTED**] from the [**REDACTED**] will be adjusted on a pro rata basis in the event that the [**REDACTED**] is fixed at a higher or lower level compared to the mid-point of the indicative [**REDACTED**] range stated in this document.

If the [**REDACTED**] is exercised in full, the additional net [**REDACTED**] that we will receive will be approximately [**REDACTED**], assuming an [**REDACTED**] of [**REDACTED**] per Share (being the mid-point of the indicative [**REDACTED**] range). In the event that the [**REDACTED**] is exercised, we intend to apply the additional net [**REDACTED**] from the exercise of the [**REDACTED**] on a pro rata basis to the above purposes in the proportions stated above.

To the extent that our net [**REDACTED**] are not sufficient to fund our development plan, we intend to fund the shortfall through a variety of means, including [**REDACTED**] from [**REDACTED**] Investments, banking facilities and cash on hand.

If the net [**REDACTED**] of the [**REDACTED**] are not immediately applied to the above purposes, we will only deposit those net [**REDACTED**] into short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions (as defined under the SFO, the Law of the People's Republic of China on Commercial Banks (《中華人民共和國商業銀行法》) and other relevant laws in the PRC). If we urgently need the funds for the above purposes, but cannot immediately obtain the net [**REDACTED**] from the [**REDACTED**], we will use self-raised funds to meet the relevant funding requirements and replace these self-raised funds with the net [**REDACTED**] from the [**REDACTED**] when the [**REDACTED**] become available to us.

We will issue an appropriate announcement if there is any material change to the above proposed use of [**REDACTED**].

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

MANAGEMENT PRESENCE IN HONG KONG

Rule 8.12 of the Listing Rules provides that a new applicant for listing on the Hong Kong Stock Exchange must have a sufficient management presence in Hong Kong and, under normal circumstances, at least two of the new applicant's executive directors must be ordinarily resident in Hong Kong. Rule 19A.15 of the Listing Rules further provides that the requirement in Rule 8.12 may be waived by having regard to, among other considerations, the applicant's arrangements for maintaining regular communication with the Stock Exchange.

The Company's business operations are mostly located in the PRC and most of the Company's assets are located in the PRC. The Company's executive Directors are based in the PRC as the Board believes it would be more effective and efficient for its executive Directors to be based in a location where the Company's operations are located. Therefore, no executive Directors will, in the foreseeable future be ordinarily resident in Hong Kong.

Accordingly, pursuant to Rule 19A.15 of the Listing Rules, the Company has applied to the Stock Exchange for, and the Stock Exchange [has granted] the Company, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules, provided that the Company implements the following arrangements, which are in line with Guidance Letter HKEX-GL9-09 of the Stock Exchange:

(i) the Company has appointed Dr. Wu Yanjun (吳艷軍) ("**Dr. Wu**"), an executive Director and Ms. Zhang Xiao (張瀟) ("**Ms. Zhang**"), one of the joint company secretaries of the Company, as the authorized representatives of the Company (the "**Authorized Representatives**") for the purpose of Rule 3.05 of the Listing Rules. The Authorized Representatives will serve as the Company's principal channel of communication with the Stock Exchange. They can be readily contactable by phone, fax and email to deal promptly with enquiries from the Stock Exchange and will also be available to meet with the Stock Exchange to discuss any matters on short notice. The contact details of our authorized representatives have been provided to the Stock Exchange.

(ii) all the Directors who are not ordinarily resident in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period. In addition, each Director has provided (if available) his/her contact details, including mobile phone numbers, office phone numbers, email addresses and fax numbers, to the Authorized Representatives and to the Stock Exchange. The Directors have also provided the contact information of their emergency contacts to the Authorized Representatives, so that each of the Authorized Representatives would be able to contact all the Directors (including the independent non-executive Directors) promptly at all times if and when the Stock Exchange wishes to contact the Directors.

(iii) the Company has appointed Red Solar Capital Limited as its compliance advisor for the period commencing on the [**REDACTED**] and ending on the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of the Company's financial results for the first full financial year commencing after the [**REDACTED**], or until the agreement is terminated, whichever is earlier. The Company's compliance advisor will act as the Company's additional and alternative channel of communication with the Stock Exchange, and its representatives will be readily available to answer enquiries from the Stock Exchange.

JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, the Company must appoint a company secretary who possesses the necessary academic or professional qualifications or relevant experience and is therefore capable to discharge the functions of the company secretary.

Note 1 to Rule 3.28 of the Listing Rules provides that the Hong Kong Stock Exchange considers the following academic or professional qualifications to be acceptable:

(i) a member of The Hong Kong Institute of Chartered Secretaries;

(ii) a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and

(iii) a certified public accountant (as defined in the Professional Accountants Ordinance).

In addition, Note 2 to Rule 3.28 of the Listing Rules provides that in assessing "relevant experience", the Hong Kong Stock Exchange will consider the individual's:

(i) length of employment with the issuer and other issuers and the roles he played;

(ii) familiarity with the Listing Rules and other relevant law and regulations including the Securities and Futures Ordinance, Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance, and the Takeovers Code;

(iii) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(iv) professional qualifications in other jurisdictions.

The Company has appointed Dr. Wu and Ms. Zhang, as the joint company secretaries of the Company to jointly discharge the duties and responsibilities of company secretary of the Company with reference to their work experience and qualifications. Dr. Wu is currently an executive Director and the Board secretary. He joined the Company in February 2022. For further biographical details of Dr. Wu, see "Directors, Supervisors and Senior Management – Executive Directors". Although Dr. Wu does not possess the qualifications set out in Rule 3.28 of the Listing Rules, the Company has appointed him as one of the joint company secretaries of the Company due to his experience in corporate governance matters, investment and financing related matters, information disclosure, investor relationship and corporate secretarial affairs. Ms. Zhang has been appointed as the other joint company secretary of the Company with effect from the [**REDACTED**] to assist Dr. Wu in discharging the duties of a company secretary of the Company. Ms. Zhang is an associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom and is therefore qualified under Rule 3.28 of the Listing Rules to act as a joint company secretary of the Company. For further biographical details of Ms. Zhang, see "Directors, Supervisors and Senior Management – Joint Company Secretaries".

The following arrangements have been, or will be, put in place to assist Dr. Wu in acquiring the qualifications and experience required under Rule 3.28 of the Listing Rules:

(i) In preparation of the application of the [**REDACTED**], Dr. Wu has attended training on the respective obligations of the Directors, supervisors, senior managements and the Company under the relevant Hong Kong laws and the Listing Rules organized by the Hong Kong legal advisers to the Company.

(ii) Ms. Zhang will work closely with Dr. Wu to jointly discharge the duties and responsibilities as the joint company secretaries of the Company and to assist Dr. Wu to acquire the relevant experience as required under the Listing Rules for an initial period of three years from the date of the [**REDACTED**], a period which should be sufficient for Dr. Wu to acquire the relevant experience as required under the Listing Rules.

(iii) The Company will ensure that Dr. Wu continues to have access to the relevant training and support in relation to the Listing Rules and the duties required for a company secretary of an [**REDACTED**] on the Hong Kong Stock Exchange. Furthermore, both Dr. Wu and Ms. Zhang will seek advice from the Company's Hong Kong legal and other professional advisers as and when required. Dr. Wu also undertakes to take no less than 15 hours of relevant professional training in each financial year of the Company.

(iv) At the end of the three-year period, the qualifications and experience of Dr. Wu and the need for on-going assistance of Ms. Zhang will be further evaluated by the Company. The Company will then endeavor to demonstrate to the Hong Kong Stock Exchange's satisfaction that Dr. Wu, having had the benefit of the assistance of Ms. Zhang for the immediately preceding three years, has acquired the relevant experience (within the meaning of Note 2 to Rule 3.28 of the Listing Rules) such that a further waiver from Rules 3.28 and 8.17 of the Listing Rules will not be necessary. The Company understands that the Hong Kong Stock Exchange may revoke the waiver if Ms. Zhang ceases to provide assistance to Dr. Wu during the three-year period or where there are material breaches of the Listing Rules by the Company.

The Company have applied to the Stock Exchange for, and the Stock Exchange [has granted] the Company, a waiver from strict compliance with the requirements of Rules 3.28 and 8.17 of the Listing Rules. Prior to the expiry of the three-year period, the Company will liaise with the Stock Exchange to enable it to assess whether Dr. Wu has acquired the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

Pursuant to Chapter 14A of the Listing Rules, a new applicant must, after listing, comply with the announcement, circular and shareholders' approval requirements (as applicable) for continuing connected transactions entered into by the new applicant or its subsidiaries.

The Company has conducted, and is expected to continue after the [**REDACTED**], certain connected transactions which will constitute continuing connected transactions of the Company under the Listing Rules upon the [**REDACTED**].

Accordingly, pursuant to Rule 14A.105 of the Listing Rules, the Company has applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with certain requirements under Chapter 14A of the Listing Rules. See "Connected Transactions."

CLASS MEETING REQUIREMENTS AND ADDITIONAL REQUIREMENTS REGARDING ARTICLES OF ASSOCIATION APPLICABLE TO PRC ISSUERS

Rule 19A.25(1) of the Listing Rules provides that the share repurchases of a PRC issuer shall be approved by special resolutions of shareholders in general meetings and holders of domestic shares and foreign shares (and, if applicable, H shares) at separate meetings of such holders conducted in accordance with the PRC issuer's articles of association.

Rule 19A.38 of the Listing Rules provides that except in certain circumstances, the directors of a PRC issuer shall obtain the approval by a special resolution of shareholders in general meeting, and the approvals by special resolutions of holders of domestic shares and overseas listed foreign shares (and, if applicable, H shares) (each being otherwise entitled to vote at general meetings) at separate class meeting conducted in accordance with the PRC issuer's articles of association, prior to authorizing, allotting, issuing or granting shares, securities convertible into shares, or options, warrants or similar rights to subscribe for shares or such convertible securities.

Paragraphs 56 and 65(a) of Rule 19A.42 of the Listing Rules provide that the content of a listing document for the listing of equity securities of a PRC issuer no part of whose share capital is already listed on the Stock Exchange shall include particulars of the quorum and voting for general meetings of shareholders and for separate meetings of holders of domestic shares and foreign shares (and, if applicable, H shares).

Rule 19A.45 of the Listing Rules provides that a PRC issuer shall not at any time permit or cause any amendment to be made to its articles of association which would cause the same to cease to comply with the provisions of Appendix 3 or Section 1 of Part D of Appendix 13 to the Listing Rules.

Section 1 of Part D of Appendix 13 to the Listing Rules provides that the articles of association of a PRC issuer whose primary listing is or is to be on the Stock Exchange must include the Mandatory Provisions for Companies Listing Overseas (《到境外上市公司章程必備條款》) (the "**Mandatory Provisions**") and other ancillary provisions.

On February 14, 2023, the State Council announced the Decision of the State Council to Repeal Certain Administrative Regulations and Documents (《國務院關於廢止部分行政法規和文件的決定》) and on February 17, 2023, CSRC announced the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (collectively, the "**New PRC Regulations**"). The New PRC Regulations took effect from March 31, 2023 and on the same date, the Special Regulations on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (《國務院關於股份有限公司境外募集股份及上市的特別規定》) and the Mandatory Provisions were repealed.

Pursuant to the New PRC Regulations, PRC issuers shall formulate their articles of association in line with the Guidelines on Articles of Association of Listed Companies (《上市公司章程指引》) (the "**Guidelines on Articles of Association**") issued by CSRC in place of the Mandatory Provisions, and holders of domestic shares and H shares are no longer deemed as different classes of shareholders but are both ordinary shares of the same class. Accordingly, the requirements in relation to (i) class meetings for holders of domestic shares and H shares under Rules 19A.25(1) and 19A.38 and paragraphs 56 and 65(a) of Rule 19A.42 of the Listing Rules, and (ii) inclusion of the Mandatory Provisions and relevant ancillary provisions in the articles of association under Rule 19A.45 and Section 1 of Part D of Appendix 13 to the Listing Rules, are no longer necessary.

The Stock Exchange has published a consultation paper titled "Rule Amendments Following Mainland China Regulation Updates and Other Proposed Rule Amendments Relating to PRC Issuers" (the "**Consultation Paper**") in February 2023 setting out the proposed amendments to the Listing Rules in light of the implementation of the New PRC Regulations (the "**Proposed Amendments**"), which have the effect of, among other things, abolishing (i) the class meeting requirements for holders of domestic shares and H shares, and (ii) the requirement of including the Mandatory Provisions and relevant ancillary provisions in the articles of association of PRC issuers.

As a PRC issuer, we have formulated our Articles of Association in line with the Guidelines on Articles of Association under the New PRC Regulations. Pursuant to our Articles of Association, our Domestic Shares and H Shares are considered as one class of Shares, and there are no requirements for separate meetings of holders of Domestic Shares and H Shares to be conducted. Further, the Mandatory Provisions, having been repealed, have not been adopted in our Articles of Association.

As of the Latest Practicable Date, the Proposed Amendments had yet to be effective. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with Rules 19A.25(1), 19A.38 and 19A.45, paragraphs 56 and 65(a) of Rule 19A.42, and Section 1 of Part D of Appendix 13 to the Listing Rules, on the conditions that:

(i) our Articles of Association are not inconsistent with the Guidelines on Articles of Association and other applicable PRC laws and regulations; and

(ii) our Articles of Association are not inconsistent with (a) the Proposed Amendments as set out in the Consultation Paper, and (b) the other provisions of the Listing Rules that are not subject to the Proposed Amendments.

[**REDACTED**]

[**REDACTED**]

[REDACTED]

[REDACTED]

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[To insert the firm's letterhead]

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF REPT BATTERO ENERGY CO., LTD. AND MORGAN STANLEY ASIA LIMITED AND CITIC SECURITIES (HONG KONG) LIMITED

Introduction

We report on the historical financial information of REPT BATTERO Energy Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages [●] to [●], which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2020, 2021 and 2022 (the "Relevant Periods"), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2020, 2021 and 2022 and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages [●] to [●] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the "Document") in connection with the [**REDACTED**] of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at 31 December 2020, 2021 and 2022 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page [●] have been made.

Dividends

We refer to note 11 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

Ernst & Young
Certified Public Accountants
Hong Kong
[DATE]

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

The Board refers to the board of Directors.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2020	2021	2022
		Year ended 31 December		
		RMB'000	*RMB'000*	*RMB'000*
REVENUE	5	906,986	2,109,144	14,647,778
Cost of sales		(795,888)	(2,434,024)	(13,559,490)
Gross profit/(loss)		111,098	(324,880)	1,088,288
Other income and gains	5	12,307	35,323	167,818
Selling and distribution expenses		(34,036)	(72,346)	(320,795)
Administrative expenses		(34,007)	(160,612)	(346,787)
R&D costs		(72,716)	(245,558)	(767,685)
Impairment losses on financial assets, net		(1,951)	(1,585)	(81,050)
Other expenses		(11,199)	(1,892)	(75)
Finance costs	7	(22,775)	(32,659)	(188,925)
Share of profits and losses of joint ventures		–	–	(1,587)
LOSS BEFORE TAX	6	(53,279)	(804,209)	(450,798)
Income tax expense	10	–	–	(25)
LOSS FOR THE YEAR		(53,279)	(804,209)	(450,823)
Attributable to:				
Owners of the parent		(40,843)	(717,227)	(354,121)
Non-controlling interests		(12,436)	(86,982)	(96,702)
		(53,279)	(804,209)	(450,823)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(53,279)	(804,209)	(450,823)
Attributable to:				
Owners of the parent		(40,843)	(717,227)	(354,121)
Non-controlling interests		(12,436)	(86,982)	(96,702)
		(53,279)	(804,209)	(450,823)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT				
Basic and diluted				
– For loss for the year (RMB)	12	(0.14)	(1.08)	(0.20)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
	Notes	**2020**	**2021**	**2022**
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment	*13*	1,290,089	4,240,292	8,743,370
Right-of-use assets	*14*	107,342	291,801	489,054
Other intangible assets	*15*	6,692	10,295	28,777
Investments in joint ventures	*16*	–	–	132,391
Prepayments, other receivables and other assets	*17*	94,210	606,688	607,225
Due from related parties	*37*	1,880	1,887	1,887
Total non-current assets		1,500,213	5,150,963	10,002,704
CURRENT ASSETS				
Inventories	*18*	244,570	720,654	3,245,649
Trade and bills receivables	*19*	611,826	1,053,510	4,194,057
Contract assets	*20*	6,686	20,935	113,426
Prepayments, other receivables and other assets	*17*	36,959	639,139	717,908
Financial assets at fair value through profit or loss	*21*	50,454	–	17,186
Due from related parties	*37*	17,219	41,604	1,405,883
Restricted cash	*22*	40,850	817,327	1,843,528
Cash and cash equivalents	*22*	146,430	580,507	4,901,062
Total current assets		1,154,994	3,873,676	16,438,699
CURRENT LIABILITIES				
Trade and bills payables	*23*	586,609	1,660,312	6,773,324
Other payables and accruals	*24*	208,521	1,196,526	2,787,628
Contract liabilities	*25*	8,855	158,538	184,408
Interest-bearing bank and other borrowings	*26*	173,205	367,136	465,209
Lease liabilities	*14*	6,464	8,760	9,616
Deferred government grants	*27*	3,904	6,389	13,355
Due to related parties	*37*	1,132,459	3,029,579	117,383
Tax payable		–	–	25
Provisions	*28*	2,139	2,804	48,534
Total current liabilities		2,122,156	6,430,044	10,399,482
NET CURRENT (LIABILITIES)/ASSETS		(967,162)	(2,556,368)	6,039,217
TOTAL ASSETS LESS CURRENT LIABILITIES		533,051	2,594,595	16,041,921

		As at 31 December		
	Notes	**2020**	**2021**	**2022**
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	*26*	108,000	211,440	4,185,965
Lease liabilities	*14*	37,615	32,825	25,828
Deferred government grants	*27*	39,733	60,296	155,012
Provisions	*28*	18,590	47,154	223,543
Total non-current liabilities		203,938	351,715	4,590,348
Net assets		329,113	2,242,880	11,451,573
EQUITY				
Equity attributable to owners of the parent				
Paid-in capital/share capital	*29*	300,000	1,463,415	2,160,804
(Deficits)/reserves	*30*	(71,648)	565,576	8,588,143
		228,352	2,028,991	10,748,947
Non-controlling interests		100,761	213,889	702,626
Total equity		329,113	2,242,880	11,451,573

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2020

		Attributable to owners of the parent					
	Notes	**Paid-in capital**	**Merger reserve***	**Accumulated losses***	**Total**	**Non-controlling interests**	**Total equity**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2020		300,000	–	(148,622)	151,378	–	151,378
Loss for the year		–	–	(40,843)	(40,843)	(12,436)	(53,279)
Total comprehensive income for the year		–	–	(40,843)	(40,843)	(12,436)	(53,279)
Business combination under common control	*30(ii)*	–	117,817	–	117,817	113,197	231,014
At 31 December 2020		300,000	117,817	(189,465)	228,352	100,761	329,113

Year ended 31 December 2021

		Attributable to owners of the parent							
	Notes	Paid-in capital	Capital reserve*	Merger reserve*	Share incentive reserve*	Accumulated losses*	Total	Non-controlling interests	Total equity
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2021		300,000	–	117,817	–	(189,465)	228,352	100,761	329,113
Loss for the year		–	–	–	–	(717,227)	(717,227)	(86,982)	(804,209)
Total comprehensive income for the year		–	–	–	–	(717,227)	(717,227)	(86,982)	(804,209)
Contribution from shareholders	*29(a)*	1,163,415	1,451,585	–	–	–	2,615,000	–	2,615,000
Business combination under common control	*30(ii)*	–	(774)	(117,817)	–	–	(118,591)	(64,941)	(183,532)
Contribution from non-controlling interests	*30(ii)*	–	–	–	–	–	–	243,900	243,900
Acquisition of non-controlling interests	*30(i)(a)*	–	(21,151)	–	–	–	(21,151)	21,151	–
Share incentive plan expense	*31*	–	–	–	42,608	–	42,608	–	42,608
At 31 December 2021		1,463,415	1,429,660	–	42,608	(906,692)	2,028,991	213,889	2,242,880

Year ended 31 December 2022

		Attributable to owners of the parent						
	Notes	Paid-in capital/ share capital	Capital reserve*	Share incentive reserve*	Accumulated losses*	Total	Non-controlling interests	Total equity
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022		1,463,415	1,429,660	42,608	(906,692)	2,028,991	213,889	2,242,880
Loss for the year		–	–	–	(354,121)	(354,121)	(96,702)	(450,823)
Total comprehensive income for the year		–	–	–	(354,121)	(354,121)	(96,702)	(450,823)
Contribution from shareholders	*29(c)*	697,389	8,243,390	–	–	8,940,779	–	8,940,779
Contribution from non-controlling interests	*32*	–	–	–	–	–	588,000	588,000
Acquisition of non-controlling interests	*30(i)(b)*	–	(339)	–	–	(339)	(2,561)	(2,900)
Conversion into a joint stock company	*29(b)*	–	(736,366)	–	736,366	–	–	–
Share incentive plan expense	*31*	–	–	133,637	–	133,637	–	133,637
At 31 December 2022		2,160,804	8,936,345	176,245	(524,447)	10,748,947	702,626	11,451,573

* These accounts comprise the consolidated (deficits)/reserves of RMB(71,648,000), RMB565,576,000 and RMB8,588,143,000 in the consolidated statements of financial position as at 31 December 2020, 2021 and 2022, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December		
	Notes	**2020**	**2021**	**2022**
		RMB'000	*RMB'000*	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before tax		(53,279)	(804,209)	(450,798)
Adjustments for reconcile loss before tax to net cash flows:				
Finance costs	*7*	22,775	32,659	188,925
disposal of items of property, plant and equipment	*13*	–	–	4
Share of profits and losses of joint ventures		–	–	1,587
Interest income	*6*	(2,523)	(9,211)	(96,071)
Fair value loss/(gain) on financial assets at fair value through profit or loss		193	453	(2,186)
Depreciation of property, plant and equipment	*13*	69,557	151,094	490,755
Depreciation of right-of-use assets	*14*	19,103	12,597	16,809
Amortization of other intangible assets	*15*	781	2,680	6,716
Amortization of deferred government grants	*27*	(2,098)	(4,032)	(8,939)
Provision for impairment of trade receivables, net	*19*	1,951	1,585	81,050
Provision for product warranty, net	*28*	20,060	36,653	239,078
(Reversal of)/provision for impairment of inventories	*18*	(16,440)	82,620	(24,786)
Exchange loss/(gain), net		1,499	(4,939)	(11,962)
Share incentive expense		–	42,608	133,637
		61,579	(459,442)	563,819
Increase in trade and bills receivables		(517,702)	(443,159)	(3,210,758)
(Increase)/decrease in prepayments and other receivables and other assets		(54,668)	(1,093,675)	125,312
Decrease/(increase) in amounts due from related parties		20,095	(24,392)	(1,364,279)
Increase/(decrease) in amounts due to related parties		360,415	(40,434)	(308,028)
Increase in inventories		(85,903)	(558,704)	(2,498,187)
Increase in trade and bills payables		385,958	1,073,159	5,113,012
Increase in other payables and accruals		42,750	214,360	269,855
Decrease in provision		(3,151)	(7,424)	(16,959)
Increase in contract liabilities		5,494	149,683	25,870
Increase in restricted cash		(40,842)	(776,477)	(1,026,201)
Cash flows generated from/(used in) operating activities		174,025	(1,966,505)	(2,326,544)
Interest received		2,523	9,211	96,071
Net cash flows generated from/(used in) operating activities		176,548	(1,957,294)	(2,230,473)

	Notes	Year ended 31 December 2020	2021	2022
		RMB'000	*RMB'000*	*RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment		(727,815)	(2,362,742)	(3,713,042)
Proceeds from disposal of items of property, plant and equipment		–	1,588	–
Purchase of right-of-use assets		–	(154,615)	(245,142)
Purchase of other intangible assets		(6,948)	(6,283)	(25,198)
Receipt of government grants for property, plant and equipment	*27*	14,929	27,080	110,621
Acquisition of subsidiaries	*33*	–	(32,722)	–
Investments in joint ventures		–	–	(91,070)
Purchases of non-controlling interests		–	–	(2,900)
Acquisition of subsidiaries under common control	*30*	–	(443,256)	–
(Increase)/decrease in financial assets at fair value through profit or loss		30,460	50,000	(15,000)
Net cash flows (used in) investing activities		(689,374)	(2,920,950)	(3,981,731)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from contribution from shareholders		–	2,615,000	8,940,779
Proceeds from contribution from original shareholders of subsidiaries acquired under common control		231,014	259,724	–
Contribution from non-controlling interests		–	243,900	310,000
New bank loans		100,793	538,069	5,290,865
New loans from related parties		463,836	5,269,504	2,184,232
Repayment of bank loans		–	(240,953)	(1,190,442)
Repayment of loans from related parties		(134,906)	(3,342,437)	(4,837,929)
Interest paid		(11,808)	(19,931)	(135,124)
Payment of [**REDACTED**] expenses		–	(3,226)	(19,109)
Principal portion of lease payments		(12,151)	(10,174)	(9,822)
Interest paid for lease payment		(5,581)	(1,986)	(1,814)
Net cash flows generated from financing activities		631,197	5,307,490	10,531,636
NET INCREASE IN CASH AND CASH EQUIVALENTS		118,371	429,246	4,319,432
Cash and cash equivalents at beginning of year		30,064	146,430	580,507
Effect of foreign exchange rate changes, net		(2,005)	4,831	1,123
CASH AND CASH EQUIVALENTS AT END OF YEAR		146,430	580,507	4,901,062
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and cash equivalents as stated in the statement of financial position	*22*	146,430	580,507	4,901,062
Cash and cash equivalents as stated in the statement of cash flows		146,430	580,507	4,901,062

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at 31 December		
		2020	2021	2022
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment	*13*	1,212,429	3,084,012	4,758,579
Right-of-use assets	*14*	73,302	110,714	239,738
Other intangible assets		6,135	6,352	17,765
Investments in joint ventures	*16*	–	–	132,391
Prepayments, other receivables and other assets	*17*	38,625	185,966	30,569
Due from related parties	*37*	103	110	110
Investments in subsidiaries		7,510	682,598	1,667,845
Total non-current assets		1,338,104	4,069,752	6,846,997
CURRENT ASSETS				
Inventories	*18*	239,342	680,702	2,158,919
Trade and bills receivables	*19*	609,863	1,050,738	3,719,742
Contract assets	*20*	6,686	20,920	75,622
Prepayments, other receivables and other assets	*17*	24,575	371,655	239,067
Financial assets at fair value through profit or loss	*21*	50,454	–	17,186
Due from related parties	*37*	24,446	37,346	2,721,078
Restricted cash	*22*	13,090	442,790	1,146,022
Cash and cash equivalents	*22*	3,495	523,573	4,554,868
Total current assets		971,951	3,127,724	14,632,504
CURRENT LIABILITIES				
Trade and bills payables	*23*	559,360	1,254,832	4,867,228
Other payables and accruals	*24*	176,891	769,963	1,416,363
Contract liabilities	*25*	8,855	155,156	137,504
Interest-bearing bank and other borrowings	*26*	173,205	367,136	463,437
Lease liabilities	*14*	896	1,459	1,990
Deferred government grants	*27*	3,904	6,389	10,365
Due to related parties	*37*	1,083,529	2,137,250	398,431
Provisions	*28*	2,139	2,744	42,719
Total current liabilities		2,008,779	4,694,929	7,338,037
NET CURRENT (LIABILITIES)/ASSETS		(1,036,828)	(1,567,205)	7,294,467
TOTAL ASSETS LESS CURRENT LIABILITIES		301,276	2,502,547	14,141,464

		As at 31 December		
	Notes	**2020**	**2021**	**2022**
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	*26*	108,000	211,440	2,701,689
Lease liabilities	*14*	6,341	8,315	8,834
Deferred government grants	*27*	39,733	60,296	99,880
Provisions	*28*	18,590	46,761	205,097
Total non-current liabilities		172,664	326,812	3,015,500
Net assets		128,612	2,175,735	11,125,964
EQUITY				
Paid-in capital/share capital	*29*	300,000	1,463,415	2,160,804
(Deficits)/reserves		(171,388)	712,320	8,965,160
Total equity		128,612	2,175,735	11,125,964

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

REPT BATTERO Energy Co., Ltd. (the "Company", formerly known as "REPT Energy Co., Ltd.") was a limited liability company incorporated in the People's Republic of China (the "PRC") on 25 October 2017 by Mr. Yu Zhaoyu (余招宇), Mr. Liu Si (劉思), Mr. Bao Zheng (包正), Mr. Jiang Sen (姜森), Irestal (Shanghai) Stainless Pipe Co., Ltd.* ("瑞思拓(上海)不銹鋼管有限公司") ("Irestal"), Zhejiang Tsingshan Business Management Co., Ltd.* ("浙江青山企業管理有限公司"), Ruipu Technology Group Co., Ltd.* ("瑞浦科技集團有限公司"). The registered office of the Company is located at Room A205, Building C, No. 205, Binhai 6th Road, Jinhai 2nd Road, Konggang New District, Longwan District, Wenzhou, Zhejiang Province.

During the Relevant Periods, the Company and its subsidiaries (together, the "Group") are principally engaged in the R&D, manufacturing and sales of lithium-ion battery products.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies, the particulars of which are set out below:

Name	*Notes*	Place and date of incorporation	Registered paid-in capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
BatteroTech Corporation Limited* ("上海蘭鈞新能源科技有限公司") ("BatteroTech Shanghai")	*(a)*	Shanghai 23 July 2020	RMB1,000,000,000	71%	–	Battery R&D, production and sales
BatteroTech Co., Ltd* ("蘭鈞新能源科技有限公司") ("BatteroTech Jiashan")	*(b)*	Zhejiang 9 December 2020	RMB820,000,000	–	71%	Battery R&D, production and sales
Wuhan BatteroTech Corporation Limited* ("武漢蘭鈞新能源科技有限公司") ("BatteroTech Wuhan")	*(c)*	Hubei 20 August 2019	RMB50,000,000	–	71%	Battery R&D
Shanghai REPT Qingchuang New Energy Co., Ltd.* ("上海瑞浦青創新能源有限公司") ("REPT Qingchuang")	*(d)*	Shanghai 2 January 2018	RMB10,000,000	100%	–	Battery R&D
Guangdong REPT BATTERO Energy Co., Ltd.* ("廣東瑞浦蘭鈞能源有限公司") ("Guangdong REPT BATTERO")	*(e)*	Guangdong 27 July 2021	RMB350,000,000	80%	20%	Battery production and sales
Zhejiang Ruixu Technology Co., Ltd.* ("浙江瑞旭科技有限公司") ("Zhejiang Ruixu")	*(f)*	Zhejiang 6 December 2019	RMB1,010,000	100%	–	Battery sales
Wenzhou Xinke Technology Co., Ltd.* ("溫州芯殻科技有限公司") ("Wenzhou Xinke")	*(g)*	Zhejiang 24 April 2020	RMB1,000,000	–	100%	Aluminum shell processing and machining
Wenzhou Qianshi Mining Technology Partnership (Limited Partnership)* ("溫州乾石礦業科技合夥企業(有限合夥)") ("Wenzhou Qianshi")	*(h)*	Zhejiang 15 November 2021	RMB70,026,000,000	–	99.99%	Shareholding platform
Zhejiang Ruiyuan Technology Co., Ltd. * ("浙江瑞園科技有限公司") ("Zhejiang Ruiyuan")	*(i)*	Zhejiang 6 June 2022	RMB70,050,000,000	100%	–	Shareholding platform
REPT SAIC EV Battery Co., Ltd. * ("瑞浦賽克動力電池有限公司") ("REPT SAIC")	*(j)*	Guangxi 15 April 2022	RMB1,200,000,000	51%	–	Battery production and sales
Chongqing REPT BATTERO Energy Co., Ltd.* ("重慶瑞浦蘭鈞能源有限公司") ("Chongqing REPT BATTERO")	*(k)*	Chongqing 1 March 2023	RMB800,000,000	100%	–	Battery production and sales

(a) BatteroTech Shanghai is registered as a limited liability company under PRC law. The statutory financial statements for the years ended 31 December 2020 and 2021, prepared under PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by Zhejiang South Audit Group Co., Ltd., certified public accountants registered in the PRC. No audited financial statements have been prepared for this entity for the years ended 31 December 2022 till the date of this report.

(b) BatteroTech Jiashan is registered as a limited liability company under PRC law. The statutory financial statements for the year ended 31 December 2021, prepared under PRC GAAP were audited by Zhejiang South Audit Group Co., Ltd., certified public accountants registered in the PRC. No audited financial statements have been prepared for this entity for the years ended 31 December 2022 till the date of this report.

(c) BatteroTech Wuhan is registered as a limited liability company under PRC law. No audited financial statements have been prepared for this entity for the years ended 31 December 2020 and 2021, as the entity was not subject to any statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation. No audited financial statements have been prepared for this entity for the years ended 31 December 2022 till the date of this report.

(d) REPT Qingchuang is registered as a limited liability company under PRC law. No audited financial statements have been prepared for this entity for the years ended 31 December 2020 and 2021, as the entity was not subject to any statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation. No audited financial statements have been prepared for this entity for the years ended 31 December 2022 till the date of this report.

(e) Guangdong REPT BATTERO is registered as a limited liability company under PRC law. No audited financial statements have been prepared for this entity for the year ended 31 December 2021, as the entity was not subject to any statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation. No audited financial statements have been prepared for this entity for the years ended 31 December 2022 till the date of this report.

(f) Zhejiang Ruixu is registered as a limited liability company under PRC law. No audited financial statements have been prepared for this entity for the years ended 31 December 2020, 2021 and 2022, as the entity was not subject to any statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

(g) Wenzhou Xinke is registered as a limited liability company under PRC law. No audited financial statements have been prepared for this entity for the years ended 31 December 2020, 2021 and 2022, as the entity was not subject to any statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

(h) Wenzhou Qianshi is registered as a limited liability company under PRC law. No audited financial statements have been prepared for this entity for the years ended 31 December 2021 and 2022, as the entity was not subject to any statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

(i) Zhejiang Ruiyuan is registered as a limited liability company under PRC law. No audited financial statements have been prepared for this entity for the period ended 31 December 2022, as the entity was not subject to any statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

(j) REPT SAIC is registered as a limited liability company under PRC law. The statutory financial statements for the years ended 31 December 2022, prepared under PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by Zhejiang South Audit Group Co., Ltd., certified public accountants registered in the PRC.

(k) Chongqing REPT BATTERO is registered as a limited liability company under PRC law.

The Group was ultimately controlled by Mr. Xiang Guangda.

* The English names of these companies registered in the PRC represent the translated names of these companies as no English names have been registered.

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board. All IFRSs effective for the accounting period commencing from 1 January 2022, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention, except for wealth management products and bills receivables classified as the financial assets at fair value through other comprehensive income which have been measured at fair value.

Basis of consolidation

The Historical Financial Information includes the financial statements of the Company and its subsidiaries for Relevant Periods. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same relevant periods as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognizes (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognized in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[2]
IFRS 17	*Insurance Contracts*[1]
Amendments to IFRS 17	*Insurance Contracts*[1,5]
Amendment to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 – Comparative Information*[6]

Amendments to IAS 1	*Classification of Liabilities as Current or Non-current (the "2020 Amendments")*[2,4]
Amendments to IAS 1	*Non-current Liabilities with Covenants (the "2022 Amendments")*[2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to IAS 8	*Definition of Accounting Estimates*[1]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

1 Effective for annual periods beginning on or after 1 January 2023

2 Effective for annual periods beginning on or after 1 January 2024

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024

5 As a consequence of the amendments to IFRS 17 issued in October 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of IFRS 17

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group considers that these new and revised IFRSs may result in changes in accounting policies but are unlikely to have a significant impact on the Group's financial performance and financial position.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealized losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations.*

Merger accounting for business combination under common control

An acquisition of a business which is a business combination under common control is accounted for in a manner similar to a uniting of interests whereby the assets and liabilities acquired are accounted for at carryover predecessor values to the other party to the business combination within all periods presented as if the operations of the Group and the business acquired had always been combined. The difference between the consideration paid by the Group and the net assets or liabilities of the business acquired is adjusted against equity.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method except for business combination under common control. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognized in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the Relevant Periods.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, financial assets and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	4.75%-9.5%
Leasehold improvements	16.29%-31.67%
Plant and machinery	9.50%-31.67%
Motor vehicles	23.75%
Furnitures and other	9.5%-31.67%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalized borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software

Software is stated at cost less any impairment losses and is amortized on the straight-line basis over its estimated useful life of 5 years.

Emission rights

Emission rights is stated at cost less any impairment losses and is amortized on the straight-line basis over its estimated useful life of 5 years.

Research and development costs

All research costs are charged to the profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalized and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognized at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	1.5-50 years
Buildings	2-6 years
Plant and machinery	2 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognized at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of buildings (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

Lease payments on short-term leases are recognized as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortized cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortized cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in other comprehensive income. Upon derecognition, the cumulative fair value change recognized in other comprehensive income is recycled to the statement of profit or loss.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognized as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognizes an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortized cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables, bills receivables, contract assets and certain of amount due from related parties, which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables, bills receivables, contract assets and certain of amount due from related parties that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at the end of each of the Relevant Periods. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings or payables, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, certain other payables and accruals, amounts due to related parties, and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortized cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in the statement of profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or canceled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the weighted average basis. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash and bank balances and demand deposits, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including demand deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of Relevant Periods of the future expenditures expected to be required to settle the obligation.

The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

The Group provides for warranties in relation to the sale of certain products for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are recognized based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the Relevant Periods, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, and the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

(a) *Sales of products*

Revenue from the sales of goods primarily arises from sales of battery products, wastes, battery components and others, which is recognized at the point in time when control of the products is transferred to the customer, generally on the acceptance of the products.

(b) *Research and development services*

Revenue from R&D services was recognized only when it satisfied a performance obligation by rendering the service or transferring the control of the result of R&D and there is no unfulfilled obligation that could affect the buyer's acceptance of the result. Before that, the counterparty had no right to receive and consume the benefits of the R&D services.

Revenue from other sources

Rental income is recognized on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognized as income in the accounting period in which they are incurred.

Other income

Interest income is recognized on an accrual basis using the effective interest rate method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract assets

A contract asset is the right to consideration in exchange for goods transferred or services provided to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognized when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognized as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Share-based payments

The Company operates employee share plans for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a discounted cash flow model, further details of which are given in note 31 to the financial statements.

The cost of equity-settled transactions is recognized in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at the end of each of the Relevant Periods until the vesting date reflects the extent to which the lock-up restricted period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognized as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognized. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognized for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is canceled, it is treated as if it had vested on the date of cancelation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the canceled award, and is designated as a replacement award on the date that it is granted, the canceled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Other employee benefits

Social pension plans

The Group has social pension plans for its employees arranged by local government labor and security authorities. The Group makes contributions on a monthly basis to the social pension plans. The contributions are charged to profit or loss as they become payable in accordance with the rules of the social pension plans. The Group's liability in respect of these funds is limited to the contributions payable in each of the Relevant Periods.

***Housing fund and other social* insurances**

The Group has participated in defined social security contribution schemes for its employees pursuant to the relevant laws and regulations of the PRC. These include housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes monthly contributions to the housing fund and other social insurances. The contributions are charged to profit or loss on an accrual basis. The Group's liability in respect of these funds is limited to the contributions payable in each of the Relevant Periods.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets. The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalized. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognized as a liability when they are approved by the shareholders in a general meeting.

Foreign currencies

These financial statements are presented in RMB, which is the Group's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of Relevant Periods. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements.

Research and development costs

All research expenses are charged to the profit or loss as incurred during the Relevant Periods. Expenses incurred to develop new products are capitalized and deferred in accordance with the accounting policy for Research and development costs in note 2.3 to the Historical Financial Information. Determining the amounts to be capitalized requires management to make judgements on the technical feasibility of existing pipelines to be successfully commercialised and bring economic benefits to the Group.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for expected* credit *losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on aging analysis of customers that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the distribution sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 19 to the Historical Financial Information.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each of the Relevant Periods. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. No impairment was provided by the Group for non-financial assets as at 31 December 2020, 2021 and 2022.

Write-down of inventories

The Group's inventories are stated at the lower of cost and net realizable value. The Group writes down its inventories based on estimates of the realizable value with reference to the aging and conditions of the inventories, together with the economic circumstances on the marketability of such inventories. Inventories will be reviewed annually for write-down, if appropriate. Further details of the inventories are set out in note 18 to the Historical Financial Information.

Useful lives and residual values of* items *of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in the production and provision of services, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed at the end of each of the years based on changes in circumstances. Further details of the property, plant and equipment are set out in note 13 to the Historical Financial Information.

Provision

The Group makes a provision for product warranty for the sale of battery products according to the best expected settlement under the sales agreement. The provision amount takes into account the Group's recent claims, past warranty data and the weight of all possible results and their related probabilities. As the Group continues to upgrade its product design and introduce new models, the recent claims may not represent the claims it will face in the future for past sales. Any increase or decrease in provision will affect the profit and loss in future years. Further details of the inventories are set out in note 28 to the Historical Financial Information.

Deferred tax assets

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The amounts of unrecognized tax losses and deductible temporary difference at 31 December 2020, 2021 and 2022 were RMB296,186,000, RMB1,381,523,000, and RMB2,677,184,000, respectively. Further details are contained in note 10 to the Historical Financial Information.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organized into one single business unit that is the sale of EV battery products, ESS battery products, wastes, and R&D services. Management reviews the overall results and financial position of the Group as a whole based on the same accounting policies set out in note 2.3. Accordingly, the Group has only one single operating segment and no further analysis of the single segment is presented.

Geographical information

(a) Revenue from external customers

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Mainland China	904,476	2,091,700	14,480,096
Other countries/regions	2,510	17,444	167,682
	906,986	2,109,144	14,647,778

The revenue information above is based on the locations of the customers.

(b) As the Group's non-current assets were located in the PRC during the Relevant Periods, no geographical information is presented.

Information about major customers

Revenue from a single customer, including group of entities which are known to be under common control, accounted for over 10% of the Group's total revenue during the Relevant Periods is as follows:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Customer A*	350,396	516,354	N/A
Customer B*	N/A	N/A	1,708,342
	350,396	516,354	1,708,342

* Revenue from customer A, amounted to less than 10% of the total revenue of the Group for the year ended 31 December 2022. Revenue from customer B, amounted to less than 10% of the total revenue of the Group for the year ended 31 December 2020 and 2021.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customers	906,986	2,109,144	14,646,288
Revenue from other sources			
Gross rental income from operating leases:			
Other lease payments, including fixed payments	–	–	1,490
	906,986	2,109,144	14,647,778

Revenue from contracts with customers

(i) Disaggregated revenue information

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customers			
Sales of EV battery products-as specified by the industries of the customers	673,192	981,507	4,642,801
Sales of ESS battery products-as specified by the industries of the customers	182,105	859,459	8,400,597
Sales of wastes	43,744	251,167	796,789
Sales of battery components	–	–	771,756
R&D services	6,299	7,188	22,308
Others	1,646	9,823	12,037
	906,986	2,109,144	14,646,288
Timing of revenue recognition			
Goods transferred at a point in time	900,687	2,101,956	14,623,980
Services satisfied at a point in time	6,299	7,188	22,308
	906,986	2,109,144	14,646,288

The following table shows the amounts of revenue recognized in each of the Relevant Periods that were included in the contract liabilities at the beginning of each of the Relevant Periods and recognized from performance obligations satisfied in previous years:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Sales of goods	3,361	8,855	158,538

(ii) Performance obligations

Information about the Group's performance obligations is summarized below:

Sales of goods

The performance obligation is satisfied upon the acceptance of the EV battery products, ESS battery products, wastes, battery components and others by the customers and the payment is generally due within 60 to 90 days from delivery.

Research and development services

The performance obligation is satisfied at the point in time as services are completed or accepted and payment is generally due within 30 days from the date of billing. Payment is conditional on the satisfaction of the service quality by the customers at a point of time as stipulated in the contracts.

The amounts of transaction price allocated to the performance obligation (unsatisfied or partially unsatisfied) as at the end of each of the Relevant Periods is as follows:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Amounts expected to be recognized as revenue:			
Within one year	8,855	158,538	184,408

All amounts of transaction prices allocated to the performance obligations of sales of goods are expected to be recognized as revenue within one year.

Other income and gains

An analysis of other income and gains is as follows:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Other income and gains			
Government grants related to			
– Assets *(i)*	2,098	4,032	8,939
– Income	6,936	15,533	43,196
Interest income	2,523	9,211	96,071
Foreign exchange gains, net	–	4,939	11,962

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Changes in fair value, net			
– Financial assets at fair value through profit or loss	–	–	2,186
Others	750	1,608	5,464
	12,307	35,323	167,818

(i) The Group has received certain government grants related to assets for investment in equipment and plant. The grants related to assets were recognized in profit or loss over the useful lives of the relevant assets. Details of these grants related to assets are set out in note 27.

6. LOSS BEFORE TAX

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

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Cost of inventories sold and cost of service	697,221	2,128,299	12,579,913
Depreciation of property, plant and equipment	69,557	151,094	490,755
Depreciation of right-of-use assets	19,103	12,597	16,809
Amortization of other intangible assets	781	2,680	6,716
R&D costs	17,819	102,512	286,857
Auditor's remuneration	30	1,981	300
[**REDACTED**] expenses	–	–	3,440
Employee benefit expense (excluding directors' and chief executive's remuneration *(note 8)*):			
Wages and salaries	97,073	390,490	1,059,736
Pension scheme contributions	3,315	12,640	86,417
Share incentive plan expense	–	27,587	88,339
	100,388	430,717	1,234,492
Foreign exchange losses/(gains), net	1,499	(4,939)	(11,962)
Provision for impairment of trade receivables, net	1,951	1,585	81,050
Provision for products warranty	20,060	36,653	239,078
(Reversal of)/provision for impairment of inventories	(16,440)	82,620	(24,786)
Interest income	(2,523)	(9,211)	(96,071)
Fair value losses/(gains) on financial assets at fair value through profit or loss	193	453	(2,186)

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Interest on bank and other borrowings	11,851	30,673	227,390
Interest on lease liabilities	10,924	1,986	1,814
Less: interest capitalized	–	–	(40,279)
	22,775	32,659	188,925

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the Relevant Periods, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Fees	–	–	–
Other emoluments:			
Salaries, allowances and benefits in kind	250	752	2,255
Performance related bonuses	300	300	3,458
Pension scheme contributions	4	57	230
Share incentive plan expense	–	15,021	45,298
	554	16,130	51,241

During the years ended 31 December 2021 and 2022, certain directors were granted awarded shares, in respect of their services to the Group, further details of which are set out in note 31 to the Historical Financial Information. The fair value of such awarded shares, which has been recognized in profit or loss over the lock-up restricted period, was determined as at the date of grant and the amount included in the Historical Financial Information for the years ended 31 December 2021 and 2022 is included in the above directors' and chief executives' remuneration disclosures.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Ms. Wong Sze Wing	N/A	N/A	–
Dr. Wang Zhenbo	N/A	N/A	–
Dr. Ren Shenggang	N/A	N/A	–
Dr. Simon Chen	N/A	N/A	–
	N/A	N/A	–

There were no independent non-executive directors for the Company during year ended 31 December 2020 and 2021. On 11 November 2022, Ms. Wong Sze Wing, Dr. Wang Zhenbo, Dr. Ren Shenggang and Dr. Simon Chen were appointed as independent non-executive directors of the Company.

There were no other emoluments payable to the independent non-executive directors during the Relevant Periods.

(b) Executive directors, non-executive directors and the chief executive

The remuneration of each director and chief executive of the Company during the Relevant Periods is set out below:

2020

	Salaries, allowances and benefits in kind	**Performance related bonuses**	**Pension scheme contributions**	**Total remuneration**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Directors:				
Dr. Cao Hui *(i)*	250	300	4	554
Ms. Sun Jianfen *(ii)*	–	–	–	–
Mr. Feng Shaode *(iii)*	–	–	–	–
Mr. Jiang Sen *(iv)*	–	–	–	–
Mr. Xiang Bingxue *(v)*	–	–	–	–
Mr. Hu Xiaodong *(vii)*	–	–	–	–
Supervisor:				
Ms. Zhao Na *(vi)*	–	–	–	–
	250	300	4	554

2021

	Salaries, allowances and benefits in kind	**Performance related bonuses**	**Pension scheme contributions**	**Share incentive plan expense**	**Total remuneration**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Directors:					
Dr. Cao Hui *(i)*	752	300	57	15,021	16,130
Ms. Sun Jianfen *(ii)*	–	–	–	–	–
Mr. Jiang Sen *(iv)*	–	–	–	–	–
Mr. Xiang Bingxue *(v)*	–	–	–	–	–
Mr. Hu Xiaodong *(vii)*	–	–	–	–	–
Supervisor:					
Ms. Na Zhao *(vi)*	–	–	–	–	–
	752	300	57	15,021	16,130

2022

	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Share incentive plan expense	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Directors:					
Dr. Cao Hui *(i)*	972	600	101	45,107	46,780
Ms. Sun Jianfen *(ii)*	–	–	–	–	–
Mr. Jiang Sen *(iv)*	–	–	–	–	–
Mr. Xiang Bingxue *(v)*	–	–	–	–	–
Mr. Hu Xiaodong *(vii)*	–	–	–	–	–
Dr. Wu Yanjun *(viii)*	193	1,500	50	–	1,743
Ms. Huang Jiehua *(ix)*	569	1,000	44	159	1,772
Mr. Wang Haijun *(x)*	–	–	–	–	–
Ms. Xiang Yangyang *(xi)*	–	–	–	–	–
Mr. Wei Yong *(xii)*	–	–	–	–	–
Mr. Yu Xinhua *(xiii)*	–	–	–	–	–
	1,734	3,100	195	45,266	50,295
Non-executive directors:					
Mr. Hu Xiaodong *(vii)*	–	–	–	–	–
Mr. Wang Haijun *(x)*	–	–	–	–	–
Ms. Xiang Yangyang *(xi)*	–	–	–	–	–
Mr. Wei Yong *(xii)*	–	–	–	–	–
Mr. Yu Xinhua *(xiii)*	–	–	–	–	–
	–	–	–	–	–
Supervisor:					
Ms. Zhao Na *(vi)*	–	–	–	–	–
Mr. Qu Enci *(xiv)*	–	–	–	–	–
Mr. Fang Yihui *(xv)*	–	–	–	–	–
Ms. Jin Shanyan *(xvi)*	521	358	35	32	946
	2,255	3,458	230	45,298	51,241

(i) Dr. Cao Hui has been appointed as a director and the chief executive officer of the Company with effect from 25 October 2017.

(ii) Ms. Sun Jianfen has been appointed as a director of the Company with effect from 25 October 2017, and tendered her resignation with effect from 7 April 2022 due to the commercial arrangement.

(iii) Mr. Feng Shaode has been appointed as a director of the Company with effect from 25 October 2017, and tendered his resignation with effect from 26 August 2020 due to the commercial arrangement.

(iv) Mr. Jiang Sen has been appointed as a director of the Company with effect from 25 October 2017, and tendered his resignation with effect from 7 April 2022 due to the commercial arrangement.

(v) Mr. Xiang Bingxue has been appointed as a director of the Company with effect from 25 October 2017, and tendered his resignation with effect from 7 April 2022 due to the commercial arrangement.

(vi) Ms. Zhao Na has been appointed as a supervisor of the Company with effect from 25 October 2017, and tendered his resignation with effect from 7 April 2022 due to the commercial arrangement.

(vii) Mr. Hu Xiaodong has been appointed as a director of the Company with effect from 12 June 2020, and re-designated as a non-executive director on 11 November 2022.

(viii) Dr. Wu Yanjun has been appointed as a director of the Company with effect from 31 March 2022.

(ix) Ms. Huang Jiehua has been appointed as a director of the Company with effect from 4 August 2022.

(x) Mr. Wang Haijun has been appointed as a director of the Company with effect from 31 March 2022, and re-designated as a non-executive director on 11 November 2022.

(xi) Ms. Xiang Yangyang has been appointed as a director of the Company with effect from 31 March 2022, and re-designated as a non-executive director on 11 November 2022.

(xii) Mr. Wei Yong has been appointed as a director of the Company with effect from 11 April 2022, and re-designated as a non-executive director on 11 November 2022.

(xiii) Mr. Yu Xinhua has been appointed as a director of the Company with effect from 4 August 2022, and re-designated as a non-executive director on 11 November 2022.

(xiv) Mr. Qu Enci has been appointed as a supervisor of the Company with effect from 31 March 2022.

(xv) Mr. Fang Yihui has been appointed as a supervisor of the Company with effect from 4 August 2022.

(xvi) Ms. Jin Shanyan has been appointed as a supervisor of the Company with effect from 31 March 2022.

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the Relevant Periods included nil, one and one director, respectively, details of whose remuneration are set out in note 8.

Details of the remuneration for the remaining five, four and four highest paid employees who are neither directors, supervisors nor the chief executive of the Company during the Relevant Periods are as follows:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowances and benefits in kind	1,998	2,012	2,578
Performance related bonuses	1,364	936	3,182
Pension scheme contributions	19	213	383
Share incentive plan expense	–	17,622	52,204
	3,381	20,783	58,347

The numbers of non-director, non-supervisor and non-chief executive highest paid employees whose remuneration fell within the following bands are as follows:

	Year ended 31 December		
	2020	**2021**	**2022**
Nil to HKD1,000,000	4	–	–
HKD1,000,000 to HKD7,000,000	1	3	–
HKD7,000,000 to HKD15,000,000	–	1	1
HKD15,000,000 to HKD25,000,000	–	–	3
	5	4	4

During the Relevant Periods, awarded shares were granted to four non-director, non-supervisor and non-chief executive highest paid employees in respect of their services to the Group, further details are included in the disclosures in note 31 to the Historical Financial Information. The fair value of such awarded shares, which has been recognized in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the Historical Financial Information is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

10. INCOME TAX

The Group is subject to income tax on an entity basis on profit arising in or derived from the countries or jurisdictions in which members of the Group are domiciled and operate.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and the Implementation Regulation of the EIT Law, the EIT rate of the PRC subsidiaries is 25% unless they are subject to preferential tax as set out below.

The Company was qualified as High and New Technology Enterprises in 2020 and is entitled to a preferential tax rate of 15% from 2020 to 2022.

REPT Qingchuang was qualified as High and New Technology Enterprises in 2021 and is entitled to a preferential tax rate of 15% from 2021 to 2023.

BatteroTech Shanghai was qualified as High and New Technology Enterprises in 2022 and is entitled to a preferential tax rate of 15% from 2022 to 2024.

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

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Loss before tax	(53,279)	(804,209)	(450,798)
Tax at the statutory tax rate	(13,320)	(201,053)	(112,700)
Preferential tax rate enacted by the Company and the subsidiaries	2,742	56,239	41,428
Expenses not deductible for tax	129	353	469
Additional deductible allowance for R&D costs	(9,564)	(42,498)	(126,651)
Temporary difference and tax losses not recognized	20,013	186,959	197,479
Tax charge at the Group's effective rate	–	–	25

Deferred tax assets have not been recognized in respect of these timing differences as they have been incurred in companies that were loss-making in the past and it is not probable that they will generate sufficient taxable income in the foreseeable future to utilize such tax losses.

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

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Tax losses	210,505	1,036,027	1,636,569
Temporary difference	85,681	345,496	1,040,615
	296,186	1,381,523	2,677,184

As at 31 December 2020, 2021 and 2022, unrecognized tax losses will expire as follow:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
2023	–	–	–
2024	–	–	–
2025	35,835	35,835	35,835
2026	–	268,059	268,059
2027	836	836	34,463
2028	43,556	43,556	43,556
2029	86,333	86,333	86,333
2030	43,945	43,945	43,945
2031	–	557,463	557,463
2032	–	–	566,915
	210,505	1,036,027	1,636,569

11. DIVIDENDS

The Board did not recommend the payment of any dividend during the Relevant Periods.

12. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The basic loss per share is calculated based on the loss attributable to the owners of the parent and the weighted average number of ordinary shares outstanding during the Relevant Periods. The Group had no potentially dilutive ordinary shares in issue during the Relevant Periods.

The calculations of basic and diluted loss per share is based on:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Loss			
Loss attributable to ordinary equity holders of the parent, used in the basic and diluted loss per share calculation	(40,843)	(717,227)	(354,121)
Shares			
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation	300,000,000	665,953,892	1,772,565,580

The weighted average number of ordinary shares in issue before the conversion into a joint stock company was determined assuming that the paid-in capital had been fully converted into share capital at the same conversion ratio of 1:1 as upon transformation into a joint stock company in April 2022.

13. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Leasehold improvements	Plant and machinery	Motor vehicles	Furnitures and other	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
December 31, 2020							
At January 1, 2020:							
Cost	377,338	2,956	76,528	403	48,801	6,672	512,698
Accumulated depreciation	(10,583)	(983)	(2,485)	(117)	(4,958)	–	(19,126)
Net carrying amount	366,755	1,973	74,043	286	43,843	6,672	493,572
At January 1, 2020, net of accumulated depreciation	366,755	1,973	74,043	286	43,843	6,672	493,572
Additions	–	–	–	–	–	866,074	866,074
Depreciation provided during the year	(20,810)	(1,425)	(32,522)	(256)	(14,544)	–	(69,557)
Transfers	–	12,852	658,013	2,845	36,776	(710,486)	–
At December 31, 2020, net of accumulated depreciation	345,945	13,400	699,534	2,875	66,075	162,260	1,290,089
At December 31, 2020:							
Cost	377,338	15,808	734,541	3,248	85,577	162,260	1,378,772
Accumulated depreciation	(31,393)	(2,408)	(35,007)	(373)	(19,502)	–	(88,683)
Net carrying amount	345,945	13,400	699,534	2,875	66,075	162,260	1,290,089

	Buildings	Leasehold improvements	Plant and machinery	Motor vehicles	Furnitures and other	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
December 31, 2021							
At January 1, 2021:							
Cost	377,338	15,808	734,541	3,248	85,577	162,260	1,378,772
Accumulated depreciation	(31,393)	(2,408)	(35,007)	(373)	(19,502)	–	(88,683)
Net carrying amount	345,945	13,400	699,534	2,875	66,075	162,260	1,290,089
At January 1, 2021, net of accumulated depreciation	345,945	13,400	699,534	2,875	66,075	162,260	1,290,089
Additions	–	–	–	–	4,690	3,097,199	3,101,889
Acquisition of a subsidiary *(note 33)*	–	–	961	–	35	–	996
Depreciation provided during the year	(35,724)	(4,565)	(88,708)	(988)	(21,109)	–	(151,094)
Disposals	–	–	(1,340)	–	(248)	–	(1,588)
Transfers	239,615	10,744	1,125,323	3,442	224,237	(1,603,361)	–
At December 31, 2021, net of accumulated depreciation	549,836	19,579	1,735,770	5,329	273,680	1,656,098	4,240,292
At December 31, 2021:							
Cost	616,953	26,552	1,859,485	6,690	314,291	1,656,098	4,480,069
Accumulated depreciation	(67,117)	(6,973)	(123,715)	(1,361)	(40,611)	–	(239,777)
Net carrying amount	549,836	19,579	1,735,770	5,329	273,680	1,656,098	4,240,292

	Buildings	Leasehold improvements	Plant and machinery	Motor vehicles	Furnitures and other	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
December 31, 2022							
At January 1, 2022:							
Cost	616,953	26,552	1,859,485	6,690	314,291	1,656,098	4,480,069
Accumulated depreciation	(67,117)	(6,973)	(123,715)	(1,361)	(40,611)	–	(239,777)
Net carrying amount	549,836	19,579	1,735,770	5,329	273,680	1,656,098	4,240,292
At January 1, 2022, net of accumulated depreciation	549,836	19,579	1,735,770	5,329	273,680	1,656,098	4,240,292
Additions	–	–	–	–	–	4,993,837	4,993,837
Depreciation provided during the year	(55,176)	(5,228)	(343,874)	(2,321)	(84,156)	–	(490,755)
Disposals	–	–	(4)	–	–	–	(4)
Transfers	829,125	6,661	3,693,878	8,471	209,020	(4,747,155)	–
At December 31, 2022, net of accumulated depreciation	1,323,785	21,012	5,085,770	11,479	398,544	1,902,780	8,743,370
At December 31, 2022:							
Cost	1,446,078	33,213	5,553,359	15,161	523,311	1,902,780	9,473,902
Accumulated depreciation	(122,293)	(12,201)	(467,589)	(3,682)	(124,767)	–	(730,532)
Net carrying amount	1,323,785	21,012	5,085,770	11,479	398,544	1,902,780	8,743,370

As at 31 December 2020, 2021 and 2022, certain of the Group's property, plant and equipment with net carrying amounts of approximately nil, nil, and RMB3,482,147,000, respectively, were pledged to secure certain interest-bearing bank and other borrowings of the Group. Further details are given in note 26.

During the Relevant Periods, there was no impairment provided for the Group's property, plant and equipment.

The Company

	Buildings	Leasehold improvements	Plant and machinery	Motor vehicles	Furnitures and other	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
December 31, 2020							
At January 1, 2020:							
Cost	377,338	2,956	76,528	403	48,801	6,672	512,698
Accumulated depreciation	(10,583)	(983)	(2,485)	(117)	(4,958)	–	(19,126)
Net carrying amount	366,755	1,973	74,043	286	43,843	6,672	493,572
At January 1, 2020, net of accumulated depreciation	366,755	1,973	74,043	286	43,843	6,672	493,572
Additions	–	–	–	–	–	787,940	787,940
Depreciation provided during the year	(20,810)	(985)	(32,516)	(253)	(14,519)	–	(69,083)
Transfers	–	–	654,447	2,169	35,284	(691,900)	–
At December 31, 2020, net of accumulated depreciation	345,945	988	695,974	2,202	64,608	102,712	1,212,429
At December 31, 2020:							
Cost	377,338	2,956	730,975	2,572	84,085	102,712	1,300,638
Accumulated depreciation	(31,393)	(1,968)	(35,001)	(370)	(19,477)	–	(88,209)
Net carrying amount	345,945	988	695,974	2,202	64,608	102,712	1,212,429

	Buildings	Leasehold improvements	Plant and machinery	Motor vehicles	Furnitures and other	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
December 31, 2021							
At January 1, 2021:							
Cost	377,338	2,956	730,975	2,572	84,085	102,712	1,300,638
Accumulated depreciation	(31,393)	(1,968)	(35,001)	(370)	(19,477)	–	(88,209)
Net carrying amount	345,945	988	695,974	2,202	64,608	102,712	1,212,429
At January 1, 2021, net of accumulated depreciation	345,945	988	695,974	2,202	64,608	102,712	1,212,429
Additions	–	–	–	–	4,690	2,001,675	2,006,365
Depreciation provided during the year	(35,724)	(919)	(78,185)	(745)	(19,209)	–	(134,782)
Transfers	239,615	–	831,717	2,592	205,113	(1,279,037)	–
At December 31, 2021, net of accumulated depreciation	549,836	69	1,449,506	4,049	255,202	825,350	3,084,012
At December 31, 2021:							
Cost	616,953	2,956	1,562,692	5,164	293,888	825,350	3,307,003
Accumulated depreciation	(67,117)	(2,887)	(113,186)	(1,115)	(38,686)	–	(222,991)
Net carrying amount	549,836	69	1,449,506	4,049	255,202	825,350	3,084,012

	Buildings	Leasehold improvements	Plant and machinery	Motor vehicles	Furnitures and other	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
December 31, 2022							
At January 1, 2022:							
Cost	616,953	2,956	1,562,692	5,164	293,888	825,350	3,307,003
Accumulated depreciation	(67,117)	(2,887)	(113,186)	(1,115)	(38,686)	–	(222,991)
Net carrying amount	549,836	69	1,449,506	4,049	255,202	825,350	3,084,012
At January 1, 2022, net of accumulated depreciation	549,836	69	1,449,506	4,049	255,202	825,350	3,084,012
Additions	–	–	–	–	–	2,066,453	2,066,453
Depreciation provided during the year	(43,147)	(69)	(271,802)	(1,623)	(75,241)	–	(391,882)
Disposals	–	–	(4)	–	–	–	(4)
Transfers	231,941	–	2,308,084	4,338	164,359	(2,708,722)	–
At December 31, 2022, net of accumulated depreciation	738,630	–	3,485,784	6,764	344,320	183,081	4,758,579
At December 31, 2022:							
Cost	848,894	2,956	3,870,772	9,502	458,247	183,081	5,373,452
Accumulated depreciation	(110,264)	(2,956)	(384,988)	(2,738)	(113,927)	–	(614,873)
Net carrying amount	738,630	–	3,485,784	6,764	344,320	183,081	4,758,579

As at 31 December 2020, 2021 and 2022, certain of the Company's property, plant and equipment with net carrying amounts of approximately nil, nil, and RMB2,292,115,000, respectively, were pledged to secure certain interest-bearing bank and other borrowings of the Company. Further details are given in note 26.

During the Relevant Periods, there was no impairment provided for the Company's property, plant and equipment.

14. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group as a lessee

The Group has lease contracts mainly for various items of buildings, and plant and machinery used in its operations. Leases of buildings generally have lease terms between 24 months and 72 months, while plant and machinery generally have lease terms of 24 months. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during each of the Relevant Periods are as follows:

The Group

	Leasehold land	Buildings	Plant and Machinery	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2020	67,653	5,969	246,389	320,011
Additions	–	39,662	–	39,662
Depreciation provided during the year	(1,416)	(4,526)	(13,161)	(19,103)
Disposal as a result of early cancelation of lease	–	–	(233,228)	(233,228)
As at 31 December 2020 and 1 January 2021	66,237	41,105	–	107,342
Additions	189,376	7,680	–	197,056
Depreciation provided during the year	(3,341)	(9,256)	–	(12,597)
As at 31 December 2021 and 1 January, 2022	252,272	39,529	–	291,801
Additions	210,381	3,681	–	214,062
Depreciation provided during the year	(6,419)	(10,390)	–	(16,809)
As at 31 December, 2022	456,234	32,820	–	489,054

As at 31 December 2020, 2021 and 2022, certain of the leasehold land with aggregate net carrying amount of approximately RMB66,237,000, RMB64,821,000 and RMB171,150,000, respectively, was pledged to secure certain interest-bearing bank borrowings of the Group. Further details are given in note 26.

The Company

	Leasehold land	Buildings	Plant and Machinery	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January, 2020	67,653	5,665	246,389	319,707

	Leasehold land	Buildings	Plant and Machinery	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Additions	–	2,145	–	2,145
Depreciation provided during the year	(1,416)	(745)	(13,161)	(15,322)
Disposal as a result of early cancelation of lease	–	–	(233,228)	(233,228)
As at 31 December 2020 and 1 January, 2021	66,237	7,065	–	73,302
Additions	36,737	3,839	–	40,576
Depreciation provided during the year	(1,781)	(1,383)	–	(3,164)
As at 31 December 2021 and 1 January, 2022	101,193	9,521	–	110,714
Additions	130,604	2,952	–	133,556
Depreciation provided during the year	(2,584)	(1,948)	–	(4,532)
As at 31 December, 2022	229,213	10,525	–	239,738

As at the end of each Relevant Periods, certain of the leasehold land with aggregate net carrying amount of approximately RMB66,237,000, RMB64,821,000 and RMB99,044,000, respectively, was pledged to secure certain interest-bearing bank borrowings of the Company (note 26).

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during each of the Relevant Periods are as follows:

The Group

	As at 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount at the beginning of the year	289,341	44,079	41,585
New lease	39,662	7,680	3,681
Accretion of interest recognized during the year	10,924	1,986	1,814
Payments	(17,732)	(12,160)	(11,636)
Disposal as a result of early cancelation of lease	(278,116)	–	–
At 31 December	44,079	41,585	35,444
Analyzed into:			
Current portion	6,464	8,760	9,616
Non-current portion	37,615	32,825	25,828

The Company

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount at the beginning of the year	289,042	7,237	9,774
New lease	2,145	3,839	2,952
Accretion of interest recognized during the year	9,938	429	509
Payments	(15,772)	(1,731)	(2,411)
Disposal as a result of early cancelation of lease	(278,116)	–	–
At 31 December	7,237	9,774	10,824
Analyzed into:			
Current portion	896	1,459	1,990
Non-current portion	6,341	8,315	8,834

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

The Group

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Interest on lease liabilities	10,924	1,986	1,814
Depreciation charge of right-of-use assets	19,103	12,597	16,809
Expense relating to short-term leases	31	524	3,797
Total amount recognized in profit or loss	30,058	15,107	22,420

The Company

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Interest on lease liabilities	9,938	429	509
Depreciation charge of right-of-use assets	15,322	3,164	4,532
Expense relating to short-term leases	–	160	3,797
Total amount recognized in profit or loss	25,260	3,753	8,838

(d) The total cash outflow for leases are disclosed in note 34 to the Historical Financial Information.

(e) Included in the lease expense, amounts of RMB2,647,000, RMB9,360,000 and RMB7,701,000 during each of the Relevant Periods, respectively, were due to leases from related parties. Details were disclosed in note 37(b) to the Historical Financial Information.

15. OTHER INTANGIBLE ASSETS

The Group

	Software
	RMB'000
31 December 2020	
At 1 January 2020:	
Cost	617
Accumulated amortization	(92)
Net carrying amount	525
At 1 January 2020, net of accumulated amortization	525
Additions	6,948
Amortization provided during the year	(781)
At 31 December 2020, net of accumulated amortization and impairment	6,692
At 31 December 2020:	
Cost	7,565
Accumulated amortization and impairment	(873)
Net carrying amount	6,692

	Software
	RMB'000
December 31, 2021	
At 1 January 2021:	
Cost	7,565
Accumulated amortization	(873)
Net carrying amount	6,692
At 1 January 2021, net of accumulated amortization and impairment	6,692
Additions	6,283
Amortization provided during the year	(2,680)
At 31 December 2021, net of accumulated amortization and impairment	10,295
At 31 December 2021:	
Cost	13,848
Accumulated amortization and impairment	(3,553)
Net carrying amount	10,295

	Software	Emission rights	Total
	RMB'000	*RMB'000*	*RMB'000*
31 December 2022			
At 1 January 2022:			
Cost	13,848	–	13,848
Accumulated amortization	(3,553)	–	(3,553)
Net carrying amount	10,295	–	10,295
At 1 January 2022, net of accumulated amortization and impairment	10,295	–	10,295
Additions	19,450	5,748	25,198
Amortization provided during the year	(5,622)	(1,094)	(6,716)
At 31 December 2022, net of accumulated amortization and impairment	24,123	4,654	28,777
At 31 December 2022:			
Cost	33,298	5,748	39,046
Accumulated amortization and impairment	(9,175)	(1,094)	(10,269)
Net carrying amount	24,123	4,654	28,777

There was no impairment provided for the Group's other intangible assets during the Relevant Periods.

16. INVESTMENTS IN JOINT VENTURES

	Year ended 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Share of net assets	–	–	132,391

As at 31 December 2022, the Group's trade receivable balances and payable balances with the joint venture are disclosed in note 37 to the financial statements.

Particulars of the joint venture are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activity
SAIC REPT EV Battery System Co., Ltd. ("賽克瑞浦動力電池系統有限公司") (SAIC REPT)	Registered capital of RMB1 each	China	34%	Manufacture and sale of battery products

SAIC REPT, which is considered a material joint venture of the Group, acts as the Group's strategic partner engaged in manufacture of battery products and is accounted for using the equity method.

The following table illustrates the summarized financial information in respect of SAIC REPT adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	31 December 2022
	RMB'000
Current assets	915,543
Non-current assets	244,562
Current liabilities	(669,872)
Non-current liabilities	(94,900)
Net assets	395,333
Reconciliation to the Group's interest in the joint venture:	
Proportion of the Group's ownership	34%
Carrying amount of the investment	134,413
Loss for the year	(4,667)
Total comprehensive income for the year	(4,667)

SAIC REPT, the joint venture company of the Group, was newly established in April 2022. The Group consider there is no impairment indication for this investment as of 31 December 2022 as the main factory infrastructures of SAIC REPT is still in construction stage.

17. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

The Group

		As at 31 December		
		2020	2021	2022
		RMB'000	*RMB'000*	*RMB'000*
Current				
Prepayments		10,717	552,499	310,066
Value-added-tax recoverable	*(i)*	24,254	73,017	148,377
Deposits and other receivables	*(ii)*	1,988	13,623	259,465
		36,959	639,139	717,908
Non-Current				
Prepayments for property, plant and equipment		93,803	551,202	547,063
Value-added-tax recoverable	*(i)*	–	54,993	–
Deposits and other receivables	*(ii)*	407	493	60,162
		94,210	606,688	607,225

The Company

		As at 31 December		
		2020	**2021**	**2022**
		RMB'000	*RMB'000*	*RMB'000*
Current				
Prepayments		8,065	311,505	146,180
Value-added-tax recoverable	*(i)*	14,922	37,356	55,745
Deposits and other receivables	*(ii)*	1,588	22,794	37,142
		24,575	371,655	239,067
Non-Current				
Prepayments for property, plant and equipment		38,463	185,804	30,407
Deposits and other receivables	*(ii)*	162	162	162
		38,625	185,966	30,569

(i) The Group's domestic sales of goods and rendering of services are subject to PRC Value-added-tax ("VAT"). Input VAT on purchases can be deducted from output VAT payable. The VAT recoverable is mainly the net difference between output and deductible input VAT. The VAT recoverable is classified as non-current asset when it is not expected to be utilized within the following 12 months.

(ii) The financial assets included in the above balances relate to deposits and other receivables which were categorised in stage 1 at the end of each of the Relevant Periods. In calculating the expected credit loss rate, the Group considers the historical loss rate and adjusts for forward-looking factors and information. During the Relevant Periods, the deposits and other receivables had no recent history of default and past due amounts. As at the end of each of the Relevant Periods, the loss allowance was assessed to be minimal.

18. INVENTORIES

The Group

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	113,229	398,149	1,263,202
Work in progress	67,578	171,054	522,294
Finished goods	63,763	151,451	1,460,153
	244,570	720,654	3,245,649

The movements in the loss allowance for impairment of inventories are as follows:

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	23,592	7,152	89,772
Provision for impairment losses	7,152	89,772	64,986
Write-off of impairment losses	(23,592)	(7,152)	(89,772)
At the end of the year	7,152	89,772	64,986

The Company

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	116,282	372,096	737,506
Work in progress	67,578	166,036	317,754
Finished goods	55,482	142,570	1,103,659
	239,342	680,702	2,158,919

The movements in the loss allowance for impairment of inventories are as follows:

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	23,592	7,152	51,024
Provision for impairment losses	7,152	51,024	49,364
Write-off of impairment losses	(23,592)	(7,152)	(51,024)
At the end of the year	7,152	51,024	49,364

19. TRADE AND BILLS RECEIVABLES

The Group

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	417,100	626,834	3,614,199
Bills receivable	196,779	430,314	664,546
Impairment	(2,053)	(3,638)	(84,688)
	611,826	1,053,510	4,194,057
Denominated in RMB	603,220	1,052,411	4,188,022
Denominated in USD	8,606	1,099	–
Denominated in EUR	–	–	6,035
	611,826	1,053,510	4,194,057

The Group's trading terms with its customers are mainly on credit. The credit term is generally from one to three months. The Group seeks to maintain strict control over its outstanding receivables and has a credit control process to minimize credit risk.

The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

The Group's bills receivables were all aged within six months and were neither past due nor impaired.

As at 31 December 2020, 2021 and 2022, certain of the bills receivables with net carrying amounts of RMB793,000, RMB14,069,000 and RMB50,000,000, respectively, were pledged to secure certain of interest-bearing bank borrowings of the Group (note 26).

An aging analysis of the Group's trade receivables, based on the invoice date and net of loss allowance, as at the end of each of the Relevant Periods is as follows:

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Within 6 months	405,562	593,332	3,501,935
6 to 12 months	6,891	20,626	18,230
1 to 2 years	2,594	9,238	9,346
	415,047	623,196	3,529,511

The movements in the loss allowance for impairment of trade receivables are as follows:

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	102	2,053	3,638
Impairment losses, net	1,951	1,585	81,050
At the end of the year	2,053	3,638	84,688

The Group applies the simplified approach in calculating ECLs for trade receivables. Trade receivables relating to customers with known financial difficulties or significant doubt on collection are assessed individually for impairment allowance. The remaining trade receivables are grouped and collectively assessed for impairment allowance. Under the collective approach, an impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on aging analysis for grouping of customers that have similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off according to management approval.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

The Group

As at 31 December 2020

	Expected credit loss rate	Gross carrying amount	Expected credit losses	Net carrying amount
	(%)	*RMB'000*	*RMB'000*	*RMB'000*
Provision on an individual basis	–	–	–	–
Provision on a collective basis				
Aged within 6 months	0.39	407,160	1,598	405,562
Aged 6 to 12 months	3.39	7,133	242	6,891
Aged 1 to 2 years	7.59	2,807	213	2,594
		417,100	2,053	415,047

As at 31 December 2021

	Expected credit loss rate	Gross carrying amount	Expected credit losses	Net carrying amount
	(%)	*RMB'000*	*RMB'000*	*RMB'000*
Provision on an individual basis	100.00	50	50	–
Provision on a collective basis				
Aged within 6 months	0.43	595,884	2,552	593,332
Aged 6 to 12 months	2.42	21,137	511	20,626
Aged 1 to 2 years	5.38	9,763	525	9,238
		626,834	3,638	623,196

As at 31 December 2022

	Expected credit loss rate	Gross carrying amount	Expected credit losses	Net carrying amount
	(%)	*RMB'000*	*RMB'000*	*RMB'000*
Provision on an individual basis	75.00	99,336	74,502	24,834
Provision on a collective basis				
Aged within 6 months	0.23	3,485,125	7,860	3,477,265
Aged 6 to 12 months	2.37	18,672	442	18,230
Aged 1 to 2 years	16.05	10,937	1,755	9,182
Aged over 2 years	100.00	129	129	–
		3,614,199	84,688	3,529,511

The Company

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	415,137	625,780	3,205,957
Bills receivable	196,779	428,596	597,413
Impairment	(2,053)	(3,638)	(83,628)
	609,863	1,050,738	3,719,742

The Company's trading terms with its customers are mainly on credit. The credit period is generally from one to three months. The Company seeks to maintain strict control over its outstanding receivables and has a credit control process to minimize credit risk. The Company does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

The Company's bills receivables were all aged within six months and were neither past due nor impaired.

As at 31 December 2020, 2021 and 2022, certain of the Company's bills receivables with amounts of RMB793,000, RMB14,069,000 and RMB50,000,000, respectively, were pledged to secure certain of interest-bearing bank borrowings of the Company (note 26).

An aging analysis of the Company's trade receivables, based on the invoice date and net of loss allowance, as at the end of each of the Relevant Periods is as follows:

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Within 6 months	403,599	592,278	3,095,487
6 to 12 months	6,891	20,626	18,230
1-2 years	2,594	9,238	8,612
	413,084	622,142	3,122,329

The movements in the loss allowance for impairment of trade receivables are as follows:

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	102	2,053	3,638
Impairment losses, net	1,951	1,585	79,990
At the end of the year	2,053	3,638	83,628

The Company apply the simplified approach in calculating ECLs for trade receivables. Trade receivables relating to customers with known financial difficulties or significant doubt on collection are assessed individually for impairment allowance. The remaining trade receivables are grouped and collectively assessed for impairment allowance. Under the collective approach, an impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on aging analysis for grouping of customers that have similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off according to management approval.

As at 31 December 2020

	Expected credit loss rate	Gross carrying amount	Expected credit losses	Net carrying amount
	(%)	*RMB'000*	*RMB'000*	*RMB'000*
Provision on an individual basis	–	–	–	–
Provision on a collective basis				
Aged less than 6 months	0.39	405,197	1,598	403,599
Aged 6 to 12 months	3.39	7,133	242	6,891
Aged 1 to 2 years	7.59	2,807	213	2,594
		415,137	2,053	413,084

As at 31 December 2021

	Expected credit loss rate	Gross carrying amount	Expected credit losses	Net carrying amount
	(%)	*RMB'000*	*RMB'000*	*RMB'000*
Provision on an individual basis	100.00	50	50	–
Provision on a collective basis				
Aged less than 6 months	0.43	594,830	2,552	592,278
Aged 6 to 12 months	2.24	21,137	511	20,626
Aged 1 to 2 years	5.38	9,763	525	9,238
		625,780	3,638	622,142

As at 31 December 2022

	Expected credit loss rate	Gross carrying amount	Expected credit losses	Net carrying amount
	(%)	*RMB'000*	*RMB'000*	*RMB'000*
Provision on an individual basis	75.00	99,336	74,502	24,834
Provision on a collective basis				
Aged less than 6 months	0.23	3,077,757	6,940	3,070,817
Aged 6 to 12 months	2.37	18,672	442	18,230
Aged 1 to 2 years	16.05	10,063	1,615	8,448
Aged over 2 years	100.00	129	129	–
		3,205,957	83,628	3,122,329

20. CONTRACT ASSETS

The Group

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Contract assets arising from:			
Sale of products	6,686	20,935	113,426

Contract assets are initially recognized for revenue earned from the sale of products as the receipt of consideration is conditional.

The Group and the Company seeks to maintain strict control over its outstanding contract assets and has a credit control process to minimize credit risk. In view of the aforementioned and the fact that the Group's and the Company's contract assets relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group and the Company does not hold any collateral or other credit enhancements over its contract assets balances. Contract assets are non-interest-bearing.

The expected timing of recovery or settlement for contract assets at the end of each of the Relevant Periods is as follows:

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	35	1,490	97,425
After one year	6,651	19,445	16,001
	6,686	20,935	113,426

The Company

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Contract assets arising from:			
Sale of products	6,686	20,920	75,622

The expected timing of recovery or settlement for contract assets at the end of each of the Relevant Periods is as follows:

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	35	1,475	59,621
After one year	6,651	19,445	16,001
	6,686	20,920	75,622

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on days past due of trade receivables for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, contract assets are written off according to management approval, which the amounts were immaterial during the Related Periods.

The expected credit losses of the Group's contract assets for the years ended 31 December 2020, 2021 and 2022 were assessed to be minimal.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group and the Company

		As at 31 December		
		2020	**2021**	**2022**
		RMB'000	*RMB'000*	*RMB'000*
Other unlisted investments, at fair value	*(i)*	50,454	–	15,000
Forward foreign exchange contracts		–	–	2,186
		50,454	–	17,186

(i) The unlisted investments were wealth management products issued by banks in Mainland China. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest. As at 31 December 2020, 2021 and 2022, the unlisted investments amounting RMB50,454,000, nil and RMB15,000,000, respectively, were pledged for issuance of bills payables.

22. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

The Group

		As at 31 December		
		2020	**2021**	**2022**
		RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances		146,432	580,510	4,961,073
Time deposits		40,848	817,324	1,783,517
		187,280	1,397,834	6,744,590
Less:				
Restricted time deposits:				
Pledged for issuance of bills		40,746	810,300	1,749,158
Pledged for issuance of letter of guarantee	*(i)*	102	7,024	34,359
Restricted bank deposits	*(ii)*	2	3	60,011
Cash and cash equivalents		146,430	580,507	4,901,062
Denominated in USD		117,598	1,036	34,874
Denominated in RMB		69,682	1,396,798	6,709,713
Denominated in EUR		–	–	3
		187,280	1,397,834	6,744,590

(i) As at 31 December 2020, 2021 and 2022, the deposits of RMB102,000, RMB7,024,000 and RMB34,359,000, respectively, were pledged to issue the letter of guarantee in banks to provide guarantees in respect of purchase contracts signed with suppliers.

(ii) As at 31 December 2022, the restricted bank deposits of RMB60,011,000 were pledged for bank facilities.

The Company

		As at 31 December		
		2020	**2021**	**2022**
		RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances		3,496	523,576	4,614,879
Time deposits		13,089	442,787	1,086,011
		16,585	966,363	5,700,890
Less:				
Restricted time deposits:				
Pledged for issuance of bills		12,987	435,763	1,055,952
Pledged for issuance of letter of guarantee	*(i)*	102	7,024	30,059
Restricted bank deposits	*(ii)*	1	3	60,011
Cash and cash equivalents		3,495	523,573	4,554,868
Denominated in USD		150	1,036	31,135
Denominated in RMB		16,435	965,327	5,669,752
Denominated in EUR		–	–	3
		16,585	966,363	5,700,890

(i) As at 31 December 2020, 2021 and 2022, the deposits of RMB102,000, RMB7,024,000 and RMB30,059,000, respectively, were pledged to issue the letter of guarantee in banks to provide guarantees in respect of purchase contracts signed with suppliers.

(ii) As at 31 December 2022, the restricted bank deposits of RMB60,011,000 were pledged for bank facilities.

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

23. TRADE AND BILLS PAYABLES

An aging analysis of the trade and bills payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

The Group

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	586,119	1,660,128	6,772,880
1 to 2 years	490	184	444
	586,609	1,660,312	6,773,324

The Company

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	558,870	1,254,648	4,866,809
1 to 2 years	490	184	419
	559,360	1,254,832	4,867,228

The trade payables are non-interest-bearing and are normally settled on 90 to 180 day terms.

24. OTHER PAYABLES AND ACCRUALS

The Group

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Payable for purchase of property, plant and equipment	139,601	913,246	2,199,559
Salary payables	30,307	113,900	307,610
Deposit received	–	134,624	184,371
Other tax payables	3,145	3,908	35,722
Others payables and accruals	35,468	30,848	60,366
	208,521	1,196,526	2,787,628

The Company

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Payable for purchase of property, plant and equipment	138,705	532,790	1,017,042
Salary payables	27,008	83,956	205,743
Deposit received	–	131,227	151,762
Other tax payables	3,045	1,030	23,535
Others payables and accruals	8,133	20,960	18,281
	176,891	769,963	1,416,363

Other payables are unsecured and non-interest-bearing, repayable within 1 year. The fair values of other payables at the end of each of the Relevant Periods approximated to their corresponding carrying amounts.

25. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

The Group

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Short-term advances received from customers			
Sales of goods	8,855	158,538	184,408

The Company

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Short-term advances received from customers			
Sales of goods	8,855	155,156	137,504

26. INTEREST-BEARING BANK AND OTHER BORROWINGS

The Group

		As at 31 December 2020			As at 31 December 2021			As at 31 December 2022		
	Notes	Effective interest rate	Maturity		Effective interest rate	Maturity		Effective interest rate	Maturity	
		(%)		*RMB'000*	*(%)*		*RMB'000*	*(%)*		*RMB'000*
Current										
Bank loans – pledged and guaranteed	*(a)*	4.00	2021	100,134	4.35	2022	160,193	–	–	–
Bank loans – pledged	*(b)*	2.80	2021	793	2.80	2022	14,069	3.85	2023	100,033
Bank loans – guaranteed	*(c)*	–	–	–	4.00	2022	100,111	3.85	2023	5,005
Bank loans – unsecured	*(d)*	–	–	–	–	–	–	4.15-4.20	2023	200,231
Current portion of long term bank loans – pledged and guaranteed	*(a)*	4.65	2021	72,278	4.65	2022	72,140	4.30	2023	1,772

		As at 31 December 2020			As at 31 December 2021			As at 31 December 2022		
	Notes	Effective interest rate	Maturity		Effective interest rate	Maturity		Effective interest rate	Maturity	
		(%)		*RMB'000*	*(%)*		*RMB'000*	*(%)*		*RMB'000*
Current portion of long term bank loans – guaranteed	*(c)*	–	–	–	4.10	2022	20,623	3.90	2023	343
Current portion of long term bank loans – pledged	*(b)*	–	–	–	–	–	–	3.20-4.60	2023	2,662
Current portion of long term bank loans – unsecured	*(d)*	–	–	–	–	–	–	3.60	2023	1,148
Current portion of long term other loans – pledged	*(e)*	–	–	–	–	–	–	4.80	2023	154,015
				173,205			367,136			465,209
Non-current										
Bank loans – pledged and guaranteed	*(a)*	4.65	2022-2023	108,000	4.65	2023	36,000	4.30	2025-2030	1,484,276
Bank loans – pledged	*(b)*	–	–	–	–	–	–	3.20-4.60	2024-2028	2,100,369
Bank loans – guaranteed	*(c)*	–	–	–	4.10	2023-2026	175,440	3.90	2025	311,940
Bank loans – unsecured	*(d)*	–	–	–	–	–	–	3.60	2024	26,880
Other loans – pledged	*(e)*	–	–	–	–	–	–	4.80	2024-2025	262,500
				108,000			211,440			4,185,965
				281,205			578,576			4,651,174

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Analyzed into:			
Bank loans repayable:			
Within one year or on demand	173,205	367,136	311,194
In the second year	72,000	38,040	275,924
In the third to fifth years, inclusive	36,000	173,400	2,019,990
Beyond five years	–	–	1,627,551
	281,205	578,576	4,234,659
Other borrowings repayable:			
Within one year or on demand	–	–	154,015
In the second year	–	–	150,000
In the third to fifth years, inclusive	–	–	112,500
	–	–	416,515
	281,205	578,576	4,651,174

(a) As at 31 December 2020, 2021, certain of the Group's bank borrowings with the amounts of RMB280,412,000, RMB268,333,000, respectively, were secured by:

– the pledge of certain of the Group's leasehold land with a carrying amount of RMB66,237,000, RMB64,821,000; and

– the guarantee from Fujian Dingxin Industrial Co., Ltd.* ("福建鼎信實業有限公司") ("Dingxin"), a company ultimately controlled by Mr. Xiang Guangda. During the year of 2022, the guarantee from Dingxin has been released as the Group fully repaid the bank borrowings.

As at 31 December 2022, certain of the Group subsidiary's bank borrowings with the amounts of RMB1,486,048,000, respectively, were secured by:

– the pledge of certain of the Group's leasehold land with a carrying amount of RMB72,106,000;

– the pledge of certain of the Group's property, plant and equipment with a carrying amount of RMB1,190,032,000;

– the guarantee from the Company

(b) As at 31 December 2020, 2021 and 2022, certain of the Group's bank borrowings with the amount of RMB793,000, RMB14,069,000 and RMB50,000,000 was secured by the pledge of certain of the Group's bills receivables with carrying amount of RMB793,000, RMB14,069,000 and RMB50,000,000, respectively.

As at 31 December 2022, certain of the Group's bank borrowings with the amounts of RMB2,153,064,000, respectively, were secured by:

– the pledge of certain of the Group's leasehold land with a carrying amount of RMB99,044,000.

– the pledge of certain of the Group's property, plant and equipment with a carrying amount of RMB1,735,705,000.

(c) As at 31 December 2021, certain of the Group's bank borrowings with the amount of RMB196,063,000 and RMB100,111,000, respectively, were guaranteed by Dingxin and Fujian Qingtuo Nickel Industry Co., Ltd.* ("福建青拓鎳業有限公司") ("Qingtuo Nickel"), a company ultimately controlled by Mr. Xiang Guangda, respectively. During the year of 2022, the guarantees from Dingxin and Qingtuo Nickel have been released as the Group fully repaid the bank borrowings during the year of 2022.

As at 31 December 2022, certain of the Group's bank borrowings with the amount of RMB317,288,000 were guaranteed by BatteroTech Jiashan.

(d) As at 31 December 2022, certain of the Group's bank borrowings with the amounts of RMB228,259,000 was unsecured.

(e) As at 31 December 2022, certain of the Group's financial lease borrowing with the amounts of RMB416,515,000 was secured by the pledge of certain of the Group's property, plant and equipment with carrying amount of RMB556,410,000.

The Company

		As at 31 December 2020			As at 31 December 2021			As at 31 December 2022		
	Notes	Effective interest rate	Maturity		Effective interest rate	Maturity		Effective interest rate	Maturity	
		(%)		*RMB'000*	*(%)*		*RMB'000*	*(%)*		*RMB'000*
Current										
Bank loans – pledged and guaranteed	*(a)*	4.00	2021	100,134	4.35	2022	160,193	–	–	–
Bank loans – pledged	*(b)*	2.80	2021	793	2.80	2022	14,069	3.85	2023	100,033
Bank loans – guaranteed	*(c)*	–	–	–	4.00	2022	100,111	3.85	2023	5,005
Bank loans – unsecured	*(d)*	–	–	–	–	–	–	4.15-4.20	2023	200,231
Current portion of long term bank loans – pledged and guaranteed	*(a)*	4.65	2021	72,278	4.65	2022	72,140	–	–	–
Current portion of long term bank loans – guaranteed	*(c)*	–	–	–	4.10	2022	20,623	3.90	2023	343
Current portion of long term bank loans – pledged	*(b)*	–	–	–	–	–	–	3.20-4.60	2023	2,662
Current portion of long term bank loans – unsecured	*(d)*	–	–	–	–	–	–	3.60	2023	1,148
Current portion of long term other loans – pledged	*(e)*	–	–	–	–	–	–	4.80	2023	154,015
				173,205			367,136			463,437
Non-current										
Bank loans – pledged and guaranteed	*(a)*	4.65	2022-2023	108,000	4.65	2023	36,000	–	–	–
Bank loans – pledged	*(b)*	–	–	–	–	–	–	3.20-4.60	2024-2028	2,100,369
Bank loans – guaranteed	*(c)*	–	–	–	4.10	2023-2026	175,440	3.90	2025	311,940
Bank loans – unsecured	*(d)*	–	–	–	–	–	–	3.60	2024	26,880
Other loans – pledged	*(e)*	–	–	–	–	–	–	4.80	2024-2025	262,500
				108,000			211,440			2,701,689
				281,205			578,576			3,165,126

	As at 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Analyzed into:			
Bank loans repayable:			
Within one year or on demand	173,205	367,136	309,421
In the second year	72,000	38,040	275,924
In the third to fifth years, inclusive	36,000	173,400	1,719,992
Beyond five years	–	–	443,274
	281,205	578,576	2,748,611
Other borrowings repayable:			
Within one year or on demand	–	–	154,015
In the second year	–	–	150,000
In the third to fifth years, inclusive	–	–	112,500
	–	–	416,515
	281,205	578,576	3,165,126

(a) As at 31 December 2020, 2021, certain of the Company's bank borrowings with the amounts of RMB280,412,000, RMB268,333,000, respectively, were secured by:

– the pledge of certain of the Group's leasehold land with a carrying amount of RMB66,237,000, RMB64,821,000; and

– the guarantee from Dingxin, a company ultimately controlled by Mr. Xiang Guangda. During the year of 2022, the guarantee from Dingxin has been released as the Group fully repaid the bank borrowings.

(b) As at 31 December 2020, 2021 and 2022, certain of the Company's bank borrowings with the amount of RMB793,000, RMB14,069,000 and RMB50,000,000 was secured by the pledge of certain of the Company's bills receivables with carrying amount of RMB793,000, RMB14,069,000 and RMB50,000,000, respectively.

As at 31 December 2022, certain of the Company's bank borrowings with the amounts of RMB2,153,064,000, respectively, were secured by:

– the pledge of certain of the Company's leasehold land with a carrying amount of RMB99,044,000.

– the pledge of certain of the Company's property, plant and equipment with a carrying amount of RMB1,735,705,000.

(c) As at 31 December 2021, certain of the Company's bank borrowings with the amount of RMB196,063,000 and RMB100,111,000, respectively, were guaranteed by Dingxin and Qingtuo Nickel, respectively. During the year of 2022, the guarantees from Dingxin and Qingtuo Nickel have been released as the Group fully repaid the bank borrowings during the year of 2022.

As at 31 December 2022, certain of the Group's bank borrowings with the amount of RMB317,288,000 were guaranteed by BatteroTech Jiashan.

(d) As at 31 December 2022, certain of the Company's bank borrowings with the amounts of RMB228,259,000 was unsecured.

(e) As at 31 December 2022, certain of the Company's other borrowing with the amounts of RMB416,515,000 was secured by the pledge of certain of the Company's property, plant and equipment with carrying amount of RMB556,410,000.

27. DEFERRED GOVERNMENT GRANTS

The Group

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	30,806	43,637	66,685
Addition	14,929	27,080	110,621
Amortization during the year	(2,098)	(4,032)	(8,939)
At the end of the year	43,637	66,685	168,367
Current portion	3,904	6,389	13,355
Non-current portion	39,733	60,296	155,012

The Company

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	30,806	43,637	66,685
Addition	14,929	27,080	51,000
Amortization during the year	(2,098)	(4,032)	(7,440)
At the end of the year	43,637	66,685	110,245
Current portion	3,904	6,389	10,365
Non-current portion	39,733	60,296	99,880

28. PROVISIONS

The Group

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	3,820	20,729	49,958
Addition	20,060	36,653	239,078
Amount utilized during the year	(3,151)	(7,424)	(16,959)
At the end of the year	20,729	49,958	272,077
Portion classified as current liabilities	2,139	2,804	48,534
Non-current portion	18,590	47,154	223,543

The Company

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	3,820	20,729	49,505
Addition	20,060	36,177	215,270
Amount utilized during the year	(3,151)	(7,401)	(16,959)
At the end of the year	20,729	49,505	247,816
Portion classified as current liabilities	2,139	2,744	42,719
Non-current portion	18,590	46,761	205,097

The Group provides warranties of 3 to 8 years to its customers on the battery products. The amount of the provision for the warranties is estimated based on the Group's recent claims, past warranty data and the weight of all possible results and their related probabilities. As the Group continues to upgrade its product design and introduce new models, the recent claims may not represent the claims it will face in the future for past sales. Any increase or decrease in provision will affect the profit and loss in future years. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

29. PAID-IN CAPITAL/SHARE CAPITAL

The paid-in capital/share capital of the Company as at the end of each Relevant Periods was RMB300,000,000, and RMB1,463,415,000 and RMB2,160,803,850, respectively. The movements are as follows:

		Numbers of ordinary shares	Paid-in capital/ Share capital
			RMB'000
As at 1 January 2020		N/A	300,000
Capital contribution from shareholders		N/A	–
As at 31 December 2020		N/A	300,000
Capital contribution from shareholders	*(a)*	N/A	1,163,415
As at 31 December 2021		N/A	1,463,415
Issue of ordinary shares upon conversion into a joint stock company	*(b)*	1,463,414,634	–
Issue of shares	*(c)*	697,389,216	697,389
As at 31 December 2022		2,160,803,850	2,160,804

(a) In August 2021, the Company received capital contributions of RMB612,000,000, RMB198,000,000, RMB72,000,000 and RMB18,000,000 in cash from Yongqing, Technology Co., Ltd* ("永青科技股份有限公司") ("Yongqing Technology") Wenzhou Jingli Business Service Partnership (Limited Partnership) ("溫州景鋰商務服務合夥企業(有限合夥)"), Wenzhou Ruili Enterprise Development Partnership (Limited Partnership) ("溫州瑞鋰企業發展合夥企業(有限合夥)") and Wenzhou Qingshan Metal Material Partnership (Limited Partnership) ("溫州青衫金屬材料合夥企業(有限合夥)"), respectively, which was fully recognized in paid-in capital.

In November 2021, the Company received capital contributions of RMB1,524,444,000 and RMB190,556,000 in cash from Yongqing Technology and Wenzhou Zhuorui Energy Saving Technology Partnership (Limited Partnership) ("溫州卓瑞節能技術合夥企業(有限合夥)"), respectively. Out of which RMB263,415,000 was credited to the Company's paid-in capital and RMB1,451,585,000 was credited to the Company's capital reserves, respectively.

(b) In April 2022, the Company converted into a joint stock company with limited liability under the Company Law of the PRC. The net assets of the Company as of the conversion base date amounting to RMB2,093,173,000 were converted into 1,463,414,634 ordinary shares at RMB1.00 each. The excess of net assets converted over nominal value of the ordinary shares was credited to the Company's capital reserves.

(c) In April 2022, the Company issued 261,188,524 shares in total with par value of RMB1.00 each to Wenzhou Transportation Group Co. LTD ("溫州市交通運輸集團有限公司") ("Wenzhou Transportation"), Qingdao SAIC Innovation and Upgrade Industry Equity Investment Fund Partnership (Limited Partnership) ("青島上汽創新升級產業股權投資基金合夥企業(有限合夥)"), and Jiaxing SAIC Qirui Equity Investment Partnership (Limited Partnership) ("嘉興上汽頎瑞股權投資合夥企業(有限合夥)"). The total proceeds of RMB2,900,000,000 were received in April and May 2022, with approximately RMB261,188,000 and RMB2,638,812,000 credited to the Company's share capital and capital reserves, respectively.

In June 2022, the Company issued 39,273,141 shares in total with par value of RMB1.00 each to Yongqing Technology. The total proceeds of RMB460,000,000 were received in July 2022 with approximately RMB39,273,000 and RMB420,727,000 credited to the Company's share capital and capital reserves, respectively.

In August 2022 and September 2022, the Company issued 396,927,551 shares with par value of RMB1.00 each to 33 investors (collectively, the "Series B Investors") with a cash consideration of an aggregate amount of RMB5,580,779,000. The total proceeds were received in 2022, with approximately RMB396,928,000 and RMB5,183,851,000 credited to the Company's share capital and capital reserves, respectively.

30. RESERVE

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of changes in equity of the Historical Financial Information.

(i) Capital reserve

The capital reserve mainly comprises the capital/share premium of the Company and the difference between the aggregate of the then net assets of the non-controlling interests acquired and the consideration paid by the Group.

(a) In August 2021, the Company and the remaining three shareholders, Wenzhou Chenshan Enterprise Management Partnership (Limited Partnership) ("溫州辰杉企業管理合夥企業(有限合夥)") ("Wenzhou Chenshan"), Wenzhou Futang Enterprise Management Partnership (Limited Partnership) ("溫州富堂企業管理合夥企業(有限合夥)") ("Wenzhou Futang") and Shanghai Wanlu Investment Co., Ltd. ("上海萬祿投資有限公司") ("Shanghai Wanlu") of BatteroTech Shanghai made a capital contribution amounting to RMB659,000,000, RMB114,400,000, RMB45,600,000 and RMB81,000,000 to BatteroTech Shanghai in cash, respectively. Consequently, the Group's proportion of ownership in BatteroTech Shanghai had been increased from 51% to 71%, while that of Wenzhou Chenshan, Wenzhou Futang and Shanghai Wanlu had been decreased from 49% to 29% in total. The difference between the aggregate of the then net assets of the non-controlling interests acquired and the consideration paid by the Company amounting to RMB21,151,000 debited to capital reserve and credited to non-controlling interest.

(b) In June 2022, the Company acquired 29% interest of Guangdong REPT BATTERO from Ruitu Energy Co., Ltd. ("瑞途能源有限公司") ("Ruitu Energy"). Consequently, the Group's proportion of ownership in Guangdong REPT BATTERO had been increased from 71% to 100%. The difference between the net assets of the non-controlling interests acquired and the consideration paid amounting RMB339,000 was recognized in capital reserve.

(ii) Merger reserve

BatteroTech Shanghai acquired a 100% interest in BatteroTech Jiashan on 29 March 2021 and the Company acquired a 51% interest in BatteroTech Shanghai on 16 August 2021. After this business combination, the Company effectively owned 51% interest in BatteroTech Shanghai and BatteroTech Jiashan. As BatteroTech Shanghai and BatteroTech Jiashan were companies ultimately controlled by Yongqing Technology, the controlling shareholder of the Group, the above transactions were recognized as business combination under common control.

The effects of the above-mentioned business combination under common control for the year ended 31 December 2020 represented the paid-in capital contributed by the then shareholder of BatteroTech Shanghai and BatteroTech Jiashan as at 31 December 2020, 51% of which amounting to RMB117,817,000 was recognized in merger reserve and the remaining 49% amounting to RMB113,197,000 was recognized in non-controlling interest.

The effects of the above-mentioned business combination under common control for the year ended 31 December 2021 represented the combination of the following items:

– On 26 March 2021, an additional paid-in capital of RMB259,724,000 was contributed by BatteroTech Jiashan's then shareholder, 51% of which amounting RMB132,460,000 was recognized in merger reserve, and the remaining 49% amounting to RMB127,264,000 was recognized in non-controlling interests;

– On 29 March 2021, BatteroTech Shanghai acquired BatteroTech Jiashan's 100% interest with a consideration of USD60,000,000, equivalent to RMB392,256,000, which was recorded as the deduction of the capital reserve, merger reserve and non-controlling interests by RMB774,000, RMB199,277,000 and RMB192,205,000, respectively, according to the shareholding percentage of the Company and non-controlling interest in BatteroTech Jiashan.

– On 16 August 2021, the Company acquired BatteroTech Shanghai's 51% interest with a consideration of RMB51,000,000, which was recorded as a deduction of the merger reserve.

31. SHARE INCENTIVE SCHEME

2021 Incentive Scheme

On 31 August 2021, a share incentive scheme (the "2021 Incentive Scheme") was approved by the shareholders.

Pursuant to the 2021 Incentive Scheme, incentives will be awarded to the eligible participants in the form of (i) type A awarded shares; and (ii) type B awarded shares.

The scope of eligible participants for the Incentive Scheme shall include directors, senior management and other key employees of the Group who, in the opinion of the Board, contribute directly to the overall business performance and sustainable development of the Group. The list of eligible participants and the number of shares to be granted shall be determined by the Board. All eligible participants must be the employees of the Group, who have entered into labor contracts with the Company or its subsidiaries, during the appraisal period of the Incentive Scheme.

(i) 2021 Type A Awarded Shares

On 31 August 2021, a total of 112,999,000 shares of the Company were awarded to the directors of the Company and employees of the Group at a consideration of RMB9,951 (the "Type A Awarded Shares"). 25%, 25%, 25% and 25% of the Type A Awarded Shares would be vested since the fifth, sixth, seventh and eighth anniversary of the date of grant if they remain in office as employees of the Group at that date. The total fair value of the Type A Awarded Shares determined at the date of grant was equivalent to RMB454,278,000, and the fair value is determined by an external valuer using the discounted cash flow model taking into the terms and conditions upon which the awarded share were granted. The amount of RMB24,235,000 and RMB72,904,000, respectively, in respect of the Type A Awarded Shares under the Incentive Scheme was recognized as an expense and included in the staff cost for the year ended 31 December 2021 and 2022.

Any dividends declared in respect of the Type A Awarded Shares during the lock-up restricted period belongs to the participants. However, the participants do not have any voting right in respect of the Type A Awarded Shares during the lock-up restricted period.

(ii) 2021 Type B Awarded Shares

On 31 August 2021, a total of 225,997,000 shares of the Company were awarded to the directors of the Company and employees of the Group at a consideration of RMB9,748 (the "Type B Awarded Shares"). The Type B Awarded Shares would be vested since the twentieth anniversary of the date of grant if they remain in office as employees of the Group at that date. The total fair value of the Type B Awarded Shares determined at the date of grant was equivalent to RMB908,565,000, and the fair value is determined by an external valuer using the discounted cash flow model taking into the terms and conditions upon which the awarded shares were granted. The amount of RMB18,373,000 and RMB55,234,000, respectively, in respect of the Type B Awarded Shares under the Incentive Scheme was recognized as an expense and included in the staff cost for the year ended 31 December 2021 and 2022.

Any dividends declared in respect of the Type B Awarded Shares during the lock-up restricted period belongs to the participants. However, the participants do not have any voting right in respect of the Type B Awarded Shares during the lock-up restricted period.

2022 Incentive Scheme

In March 2022, a share incentive scheme (the "2022 Incentive Scheme") was approved by the shareholders.

Pursuant to the 2022 Incentive Scheme, incentives will be awarded to the eligible participants in the form of (i) type A awarded shares; and (ii) type B awarded shares.

The scope of eligible participants for the Incentive Scheme shall include directors and senior management, key technicians and other key employees of the Group who, in the opinion of the Board, contribute directly to the overall business performance and sustainable development of the Group. The list of eligible participants and the number of shares to be granted shall be determined by the Board. All eligible participants must be the employees of the Group, who have entered into labor contracts with the Company or its subsidiaries, during the appraisal period of the 2022 Incentive Scheme.

(i) 2022 Type A Awarded Shares

On 30 September 2022, a total of 6,741,000 shares of the Company were awarded to the employees of the Group at a consideration of RMB21,000 (the "2022 Type A Awarded Shares"). 25%, 25%, 25% and 25% of the 2022 Type A Awarded Shares would be vested since the fourth, fifth, sixth and seventh anniversary of the date of grant if they remain in office as employees of the Group at that date. The total fair value of the 2022 Type A Awarded Shares determined at the date of grant was equivalent to RMB94,764,000, and the fair value is determined by an external valuer using the back-solve method and adopting the equity allocation model taking into the financing price from series B investors in August and September 2022. An amount of RMB3,555,000 in respect of the Type A Awarded Shares under the Incentive Scheme was recognized as an expense and included in the staff cost for the year ended 31 December 2022.

Any dividends declared in respect of the 2022 Type A Awarded Shares during the lock-up restricted period belongs to the participants. However, the participants do not have any voting right in respect of the 2022 Type A Awarded Shares during the lock-up restricted period.

(ii) 2022 Type B Awarded Shares

On 30 September 2022, a total of 12,283,000 shares of the Company were awarded to the employees of the Group at a consideration of RMB39,000 (the "2022 Type B Awarded Shares"). All of the 2022 Type B Awarded Shares would be vested since the twentieth anniversary of the date of employment if they remain in office as employees of the Group at that date. The total fair value of the 2022 Type B Awarded Shares determined at the date of grant was equivalent to RMB172,659,000, and the fair value is determined by an external valuer using the back-solve method and adopting the equity allocation model taking into the financing price from series B investors in August and September 2022. An amount of RMB1,944,000 in respect of the 2022 Type B Awarded Shares was recognized for the period ended 31 December 2022.

Any dividends declared in respect of the 2022 Type B Awarded Shares during the lock-up restricted period belongs to the participants. However, the participants do not have any voting right in respect of the 2022 Type B Awarded Shares during the lock-up restricted period.

The following Type A and Type B Awarded Shares were outstanding under the share incentive scheme during the year ended 31 December 2021 and 2022:

	2021 Awarded Shares	**2022 Awarded Shares**	**Total**
	'000	*'000*	
As at 1 January, 2021	–	–	–
Granted during the year	338,996	–	338,996
Forfeited during the year	–	–	–
As at 31 December, 2021 and 1 January, 2022	338,996	–	338,996
Granted during the year	–	19,024	19,024
Forfeited during the year	–	(252)	(252)
As at 31 December, 2022	338,996	18,772	357,768

32. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interest are set out below:

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Percentage of equity interest held by non-controlling interests:			
– BatteroTech Shanghai	49%	29%	29%
– Guangdong REPT BATTERO	N/A	49%	0%
– REPT SAIC	N/A	N/A	49%
Loss for the year allocated to non-controlling interests:			
– BatteroTech Shanghai	12,436	86,888	96,343
– Guangdong REPT BATTERO	N/A	94	245
– REPT SAIC	N/A	N/A	113
	12,436	86,982	96,701
Accumulated balances of non-controlling at the end of each of the Relevant Periods:			
– BatteroTech Shanghai	100,761	211,083	114,739
– Guangdong REPT BATTERO	N/A	2,806	–
– REPT SAIC	N/A	N/A	587,887
	100,761	213,889	702,626

The following tables illustrate the summarized financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

BatteroTech Shanghai:

	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Revenue	889	39,353	2,523,364
Total expense	(26,269)	(283,536)	(2,855,583)
Loss for the year	(25,380)	(244,183)	(332,219)
Total comprehensive income for the year	(25,380)	(244,183)	(332,219)
Current assets	183,329	842,403	3,405,572
Non-current assets	166,600	1,607,958	3,808,288
Current liabilities	(113,056)	(1,697,752)	(5,243,437)
Non-current liabilities	(31,239)	(24,737)	(1,574,771)
Net cash flows (used in) operating activities	(40,851)	(14,530)	(354,797)
Net cash flows (used in) investing activities	(66,885)	(299,239)	(1,260,811)
Net cash flows generated from financing activities	250,014	323,852	2,331,368
Net increase in cash and cash equivalents	142,278	10,083	715,760

Guangdong REPT BATTERO:

	2021	2022
	RMB'000	*RMB'000*
Revenue	–	–
Total expense	(326)	(8,483)
Loss for the year	(326)	(8,483)
Total comprehensive income for the year	(326)	(8,483)
Current assets	8,593	79,320
Non-current assets	77,186	376,405
Current liabilities	(76,105)	(114,534)
Net cash flows (used in)/generated from operating activities	(10)	9,202
Net cash flows generated from/(used in) investing activities	100	(212,309)
Net cash flows generated from financing activities	–	263,989
Net increase in cash and cash equivalents	90	60,882

REPT SAIC:

	2022
	RMB'000
Revenue	–
Total expense	(230)
Loss for the year	(230)
Total comprehensive income for the year	(230)
Current assets	702,720
Non-current assets	585,679
Current liabilities	(88,629)
Net cash flows (used in) operating activities	(236)
Net cash flows (used in) investing activities	(456,522)
Net cash flows generated from financing activities	660,000
Net increase in cash and cash equivalents	203,242

In April 2022, the Company, Liuzhou SAIC Technology Development Co., LTD ("柳州賽克科技發展有限公司") ("Liuzhou SAIC") and Liuzhou Ruiyu Technology Partnership (Limited partnership) ("柳州瑞譽科技合夥企業(有限合夥)") ("Liuzhou Ruiyu") jointly invested to establish REPT SAIC. Among them, the Company subscribed RMB612,000,000 to hold 51% shares, Liuzhou SAIC subscribed RMB528,000,000 to hold 44% shares, and Liuzhou Ruiyu subscribed RMB60,000,000 to hold 5% shares.

As at 31 December, 2022, the Company, Liuzhou SAIC, and Liuzhou Ruiyu has paid the capital contribution of RMB350,000,000, RMB310,000,000 and nil, respectively, in cash.

33. BUSINESS COMBINATION

Acquisition of BatteroTech Wuhan

On 23 January 2021, the BatteroTech Shanghai acquired a 100% interest in BatteroTech Wuhan from Carrida (Beijing) Technology Incubator Co., Ltd. ("卡睿達(北京)科技孵化器有限公司"), Tai'an Kaben Energy Technology Co., Ltd. ("泰安市卡奔能源科技有限公司"), Shenzhen Jiawei Investment Development Co., Ltd. ("深圳市加偉投資發展有限公司"), which are third parties of the Group. The acquisition was made as part of the Group's strategy to expand its development and market share of traction battery products. The purchase consideration for the acquisition was in the form of cash amounting RMB45,000,000 paid in July 2021.

The fair values of the identifiable assets and liabilities of BatteroTech Wuhan as at the date of acquisition were as follows:

	Fair value recognized on acquisition
	RMB'000
Property, plant and equipment	996
Cash and cash equivalents	12,278
Prepayments, other receivables and other assets, net	32,006
Trade and bills payables	(280)
Total identifiable net assets at fair value	45,000

	Fair value recognized on acquisition
	RMB'000
Consideration satisfied by cash	45,000

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration paid	45,000
Less: cash and bank balances acquired	(12,278)
Net outflow of cash and cash equivalents included in cash flows from investing activities	32,722

No material acquisition related costs were incurred.

Since the acquisition, BatteroTech Wuhan contributed a loss of RMB271,000 to the consolidated loss for the year ended 31 December 2021.

Had the combination taken place at the beginning of the year, the revenue of the Group and the loss of the Group for the year would have been RMB2,118,038,000 and RMB804,209,000, respectively.

34. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the year ended 31 December 2020, 2021 and 2022, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB39,662,000, RMB7,680,000 and RMB3,681,000 respectively, in respect of lease arrangements for buildings.

In June 2020, the Group signed a supplementary agreement with Huarong to terminate the lease contract in advance and purchase certain of the leased equipment from Huarong, which resulted a non-cash addition to property, plant and equipment of RMB217,872,000 reclassified from right-of-use assets.

(b) Changes in liabilities arising from financing activities

Year ended 31 December 2020

	Due to related parties – borrowings	**Bank loans**	**Lease liabilities**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2020	310,000	180,369	289,341
Changes from financing cash flows	328,930	88,985	(17,732)
Additions of lease liabilities	–	–	39,662
Disposal as a result of early cancelation of a lease	–	–	(278,116)
Interest expense *(note 7)*	–	11,851	10,924
At 31 December 2020	638,930	281,205	44,079

Year ended 31 December 2021

	Due to related parties – borrowings	Bank loans	Lease liabilities
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2021	638,930	281,205	44,079
Changes from financing cash flows	1,927,067	277,185	(12,160)
Additions of lease liabilities	–	–	7,680
Interest expense *(note 7)*	10,487	20,186	1,986
At 31 December 2021	2,576,484	578,576	41,585

Year ended 31 December 2022

	Due to related parties – borrowings	Bank loans	Lease liabilities
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2022	2,576,484	578,576	41,585
Changes from financing cash flows	(2,653,697)	3,965,299	(11,636)
Interest capitalized *(note 7)*	–	(40,279)	–
Additions of lease liabilities	–	–	3,681
Interest expense *(note 7)*	79,812	147,578	1,814
At 31 December 2022	2,599	4,651,174	35,444

(c) Total cash outflow for leases

	Year ended 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Within operating activities	(31)	(524)	(3,797)
Within financing activities	(17,732)	(12,160)	(11,636)
	(17,763)	(12,684)	(15,433)

35. COMMITMENTS

The Group had the following capital commitments at the end of each of the Relevant Periods.

	As at 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Contracted, but not provided for:			
Purchase of items of property, plant and equipment	643,398	3,679,610	5,461,749
	643,398	3,679,610	5,461,749

36. PLEDGE OF ASSETS

Details of the Group's financial assets at fair value through profit or loss and restricted time deposits pledged for issuance of the Group's bills payables to suppliers and letter of guarantee are included in notes 21 and 22 to the Historical Financial Information.

Details of the Group's property, plant and equipment pledged for the Group's bank borrowings are included in note 13 and note 26 to the Historical Financial Information.

Details of the Group's leasehold land pledged for the Group's bank borrowings are included in note 14 and note 26 to the Historical Financial Information.

Details of the Group's bills receivable pledged for the Group's bank borrowings are included in note 19 and note 26 to the Historical Financial Information.

37. RELATED PARTY TRANSACTIONS

(a) Name and relationship

Name of related party	Relationship with the Company
Mr. Xiang Guangda	Ultimate shareholder of Tsingshan
Yongqing Technology	Controlling shareholder
Tsingshan Holding Group Co., Ltd.* 青山控股集團有限公司 ("Tsingshan")	Controlling shareholder of Yongqing Technology
Irestal	Company controlled by Mr. Xiang Guangda
PT.Jiu Long Metal Industry	Company controlled by Mr. Xiang Guangda
PT.Infei Metal Industry	Company controlled by Mr. Xiang Guangda
PT.Maluku Utara Metal Industry	Company controlled by Mr. Xiang Guangda
PT.Sunny Metal Industry	Company controlled by Mr. Xiang Guangda
Shanghai Ruipu Special Steel Co., Ltd.* 上海瑞浦特鋼有限公司 ("Ruipu Special Steel")	Company controlled by Mr. Xiang Guangda
Shanghai Tsingshan Trading Co., Ltd. * 上海青山貿易有限公司 ("Tsingshan Trading")	Company controlled by Mr. Xiang Guangda
Zhejiang Tsingshan Education Technology Co., Ltd.* 浙江青山教育科技有限公司 ("Tsingshan Education")	Company controlled by Mr. Xiang Guangda
Dingxin	Company controlled by Mr. Xiang Guangda
Qingtuo Nickel	Company controlled by Mr. Xiang Guangda
PT.Weda Bay Nickel	Company controlled by Yongqing Technology
PT.Indonesia Ruipu Nickel and Chrome Alloy	Company controlled by Tsingshan
Tsingshan Stainless Steel Co., Ltd. * 青山不銹鋼有限公司 ("Tsingshan Stainless Steel")	Company controlled by Tsingshan
Zhejiang REPT Technology Co., Ltd 浙江瑞浦科技有限公司 ("Zhejiang REPT")	Company controlled by Tsingshan
FOXESS Co., Ltd.* 麥田能源有限公司 ("FOXESS")	Associate of Yongqing Technology
Zhejiang Qingmowan Energy Technology Co., Ltd.* 浙江青墨灣能源科技有限公司 ("Qingmowan")	Associate of Yongqing Technology
PT.Bukit Smelter Indonesia	Associate of Mr. Xiang Guangda
PT.Yashi Indonesia Investment	Associate of Mr. Xiang Guangda
PT.Zhao Hui Nickel	Associate of Mr. Xiang Guangda
Wenzhou Longwan Jincheng Hotel (Limited Partnership)* 溫州市龍灣金城大酒店(有限合夥) ("Wenzhou Longwan")	Associate of Mr. Xiang Guangda
SAIC REPT	Joint venture of REPT BATTERO

* The English names of these companies registered in the PRC represent the translated names of these companies as no English names have been registered.

(b) The Group had the following material related party transactions and outstanding balances during the Relevant Periods:

The Group

		Year ended 31 December		
		2020	**2021**	**2022**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Sales of goods to				
FOXESS	*(i)*	11,363	136,413	656,482
Yongqing Technology	*(i)*	889	2,666	762,310
PT.Yashi Indonesia Investment	*(i)*	246	–	–
PT.Bukit Smelter Indonesia	*(i)*	153	–	–
PT.Jiu Long Metal Industry	*(i)*	–	3,160	–
PT.Weda Bay Nickel	*(i)*	–	3,160	–
PT.Infei Metal Industry	*(i)*	–	3,160	–
PT.Maluku Utara Metal Industry	*(i)*	–	3,160	–
SAIC REPT	*(i)*	–	–	484,086
PT.Zhao Hui Nickel	*(i)*	–	–	77,309
PT.Sunny Metal Industry	*(i)*	–	–	20,369
Qingmowan	*(i)*	–	–	484
		12,651	151,719	2,001,040
Purchases of products/services from				
Tsingshan	*(i)*	566,754	250,313	61,048
Yongqing Technology	*(i)*	7,794	–	–
Ruipu Special Steel	*(i)*	1,644	1,789	1,205
Wenzhou Longwan	*(i)*	13	6	–
Tsingshan Education	*(i)*	–	266	–
Irestal	*(i)*	–	–	1,367
FOXESS	*(i)*	–	–	30
Tsingshan Trading	*(i)*	–	–	14
		576,205	252,374	63,664
Rental expenses to related parties				
Irestal	*(ii)*	1,777	8,463	6,770
Ruipu Special Steel	*(iii)*	870	897	931
		2,647	9,360	7,701
Rental revenue from related parties				
Tsingshan Stainless Steel		–	–	1,490
Loans received from related parties				
Yongqing Technology		340,000	1,691,000	–
Tsingshan		86,859	3,578,504	2,184,232
Qingtuo Nickel		36,977	–	–
		463,836	5,269,504	2,184,232

	Notes	Year ended 31 December 2020	2021	2022
		RMB'000	RMB'000	RMB'000
Repayment of loans from related parties				
Yongqing Technology		67,000	1,208,000	1,066,000
Qingtuo Nickel		36,977	–	–
Tsingshan		30,929	2,134,437	3,684,232
		134,906	3,342,437	4,750,232
Interest expenses to related parties				
Tsingshan		–	7,057	76,747
Yongqing Technology		–	3,430	3,065
		–	10,487	79,812

The Company

	Notes	Year ended 31 December 2020	2021	2022
		RMB'000	RMB'000	RMB'000
Sales of goods to				
REPT Qingchuang	*(i)*	16,338	–	–
FOXESS	*(i)*	11,363	133,119	472,587
PT.Indonesia Ruipu Nickel and Chrome Alloy	*(i)*	246	–	–
PT.Yashi Indonesia Investment	*(i)*	153	–	–
PT.Jiu Long Metal Industry	*(i)*	–	3,160	–
PT.Weda Bay Nickel	*(i)*	–	3,160	–
PT.Infei Metal Industry	*(i)*	–	3,160	–
PT.Maluku Utara Metal Industry	*(i)*	–	3,160	–
SAIC REPT	*(i)*	–	–	484,086
PT.Zhao Hui Nickel	*(i)*	–	–	77,309
PT.Sunny Metal Industry	*(i)*	–	–	20,369
Qingmowan	*(i)*	–	–	484
Guangdong REPT BATTERO	*(i)*	–	–	32
		28,100	145,759	1,054,867
Purchases of products/services from				
Tsingshan	*(i)*	566,754	250,313	61,048
REPT Qingchuang	*(i)*	13,113	14,151	52,642
Yongqing Technology	*(i)*	7,794	–	–
Ruipu Special Steel	*(i)*	1,644	1,789	1,205
Wenzhou Longwan	*(i)*	13	6	–
Wenzhou Xinke	*(i)*	–	–	41,252
FOXESS	*(i)*	–	–	30
Tsingshan Trading	*(i)*	–	–	14
		589,318	266,259	156,191

		Year ended 31 December		
		2020	**2021**	**2022**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Rental expenses to related parties				
Ruipu Special Steel		870	897	931
Rental revenue from related parties				
Tsingshan Stainless Steel		–	–	1,490
Wenzhou Xinke		–	–	370
		–	–	1,860
Loans received from related parties				
Yongqing		320,000	187,057	–
Tsingshan Technology		57,929	3,548,634	889,232
Qingtuo Nickel		36,977	–	–
		414,906	3,735,691	889,232
Repayment of loans from related parties				
Yongqing Technology		67,000	563,000	180,000
Qingtuo Nickel		36,977	–	–
Tsingshan		30,929	2,072,203	2,389,232
		134,906	2,635,203	2,569,232
Loans provided to subsidiaries				
BatteroTech Jiashan		–	–	1,639,000
BatteroTech Shanghai		–	–	420,000
Wenzhou Xinke		–	–	11,700
Guangdong REPT BATTERO		–	–	2,000
		–	–	2,072,700
Repayment of loans to subsidiaries				
Wenzhou Xinke		–	–	4,000
Guangdong REPT BATTERO		–	–	2,000
		–	–	6,000
Interest expenses to related parties				
Tsingshan		–	3,431	21,769
Yongqing Technology		–	927	466
		–	4,358	22,235
Interest income from subsidiaries				
BatteroTech Jiashan		–	–	40,291
BatteroTech Shanghai		–	–	15,720
Wenzhou Xinke		–	–	619
Guangdong REPT BATTERO		–	–	10
		–	–	56,640

(c) Outstanding balances with related parties

The Group

		As at 31 December		
		2020	**2021**	**2022**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Trade related:				
Due from related parties				
FOXESS	*(iv)*	8,492	36,741	282,936
Irestal	*(iv)*	1,777	2,754	1,777
Yongqing Technology	*(iv)*	–	2,666	651,271
PT.Jiu Long Metal Industry	*(iv)*	–	305	–
PT.Weda Bay Nickel	*(iv)*	–	305	–
PT.Infei Metal Industry	*(iv)*	–	305	–
PT.Maluku Utara Metal Industry	*(iv)*	–	305	–
PT.Bukit Smelter Indonesia	*(iv)*	5,708	–	–
PT.Yashi Indonesia Investment	*(iv)*	3,019	–	–
Ruipu Special Steel	*(iv)*	103	110	209
SAIC REPT	*(iv)*	–	–	460,976
PT.Zhao Hui Nickel	*(iv)*	–	–	8,308
PT.Sunny Metal Industry	*(iv)*	–	–	2,293
		19,099	43,491	1,407,770
Trade related:				
Due to related parties				
Tsingshan		484,641	438,758	49,854
Yongqing Technology		8,808	8,808	–
Ruipu Special Steel		80	330	–
FOXESS		–	5,000	20,000
Tsingshan Education		–	199	–
		493,529	453,095	69,854
Non-trade related:				
Due to related parties				
Yongqing Technology	*(vi)*	583,000	1,073,057	2,599
Tsingshan	*(vii)*	55,930	1,503,427	–
SAIC REPT	*(viii)*	–	–	44,930
		638,930	2,576,484	47,529

The Company

		As at 31 December		
		2020	**2021**	**2022**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Trade related:				
Due from related parties				
FOXESS	*(iv)*	8,492	34,829	125,360
PT.Jiu Long Metal Industry	*(iv)*	–	305	–
PT.Weda Bay Nickel	*(iv)*	–	305	–
PT.Infei Metal Industry	*(iv)*	–	305	–
PT.Maluku Utara Metal Industry	*(iv)*	–	305	–
REPT Qingchuang	*(iv)*	7,227	1,297	–
PT.Bukit Smelter Indonesia	*(iv)*	5,708	–	–
PT.Yashi Indonesia Investment	*(iv)*	3,019	–	–
Ruipu Special Steel	*(iv)*	103	110	209
SAIC REPT	*(iv)*	–	–	460,976
PT.Zhao Hui Nickel	*(iv)*	–	–	8,308
PT.Sunny Metal Industry	*(iv)*	–	–	2,293
Wenzhou Xinke	*(iv)*	–	–	712
		24,549	37,456	597,858
Trade related:				
Due to related parties				
Tsingshan		484,641	438,758	49,854
Yongqing Technology		8,808	8,808	–
Ruipu Special Steel		80	330	–
FOXESS		–	5,000	20,000
REPT Qingchuang		–	–	13,500
Wenzhou Xinke		–	–	8,147
		493,529	452,896	91,501
Non-trade related:				
Due from subsidiaries				
BatteroTech Jiashan		–	–	1,679,291
BatteroTech Shanghai		–	–	435,720
Wenzhou Xinke		–	–	8,319
		–	–	2,123,330
Non-trade related:				
Due to related parties				
Yongqing Technology		563,000	180,927	–
Tsingshan		27,000	1,503,427	–
REPT SAIC		–	–	262,000
SAIC REPT		–	–	44,930
		590,000	1,684,354	306,930

(i) The prices are mutually agreed after taking the prevailing market prices into consideration.

(ii) The Group has entered into lease agreements in respect of buildings from Irestal. The rental fees under the lease were RMB1,777,000, RMB8,463,000 and RMB6,770,000 for the years ended 31 December 2020, 2021 and 2022, respectively. The Group recognized right-of-use assets of RMB33,608,000, RMB27,403,000 and RMB21,199,000, and lease liabilities of RMB34,817,000, RMB29,527,000 and RMB23,986,000 as at 31 December 2020, 2021 and 2022, respectively. The transactions were made according to the prices and terms agreed with the related parties.

(iii) The Group has entered into lease agreements in respect of buildings from Ruipu Special Steel. The rental fees under the lease were RMB870,000, RMB897,000 and RMB931,000 for the years ended 31 December 2020, 2021 and 2022, respectively. The Group recognized right-of-use assets of RMB4,956,000, RMB6,089,000 and RMB5,159,000, and lease liabilities of RMB4,971,000, RMB6,071,000 and RMB5,409,000, as at 31 December 2020, 2021 and 2022, respectively. The transactions were made according to the prices and terms agreed with the related parties.

(iv) The amounts due from related parties are unsecured, interest-free and repayable on demand. The management of the Company considers there is no significant credit risk for amounts due from related parties.

(v) During the years ended 31 December 2020, 2021 and 2022, Dingxing and Qingtuo Nickel provided guarantee for the Group's interest-bearing bank borrowings. As at 31 December 2022, Dingxing and Qingtuo Nickel 's guarantee for the Group has been terminated, further details of which are given in note 26 to the financial statements.

As at 31 December 2020 and 2021, Zhejiang REPT provided insurance for the Group's bills payables amounting RMB16,613,000, and RMB16,660,000, respectively.

During the years ended 31 December 2020, Qingtuo Nickel provided guarantee for the Group's equipment leased from Huarong.

(vi) The amounts due to the Yongqing Technology includes:

– As at 31 December 2020, loans of RMB583,000,000 were interest-free;

– As at 31 December 2021, loans of RMB76,000,000 were interest free, loans of RMB990,000,000 bore an interest rate of 6.36%, and interest payable of RMB7,057,000 was accrued on the loans;

– As at 31 December 2022, interest payable of RMB2,599,000 was accrued.

All the loans from Yongqing Technology were unsecured and repayable on demand. The Group fully repaid the loans from Yongqing Technology during the year of 2022. The non-trade balance due to the Yongqing Technology have been fully repaid before 31 March 2023.

(vii) The amounts due to Tsingshan includes:

– As at 31 December 2020, loans of RMB55,930,000 were interest-free;

– As at 31 December 2021, loans of RMB1,500,000,000 bore an interest rate of 6.36% and interest payable of RMB3,427,000 was accrued on the loans;

All the loans from Tsingshan were unsecured and repayable on demand.

The Group fully repaid the loans from Tsingshan during the year of 2022.

(viii) As at 31 December 2022, the Group's equity investment payable to SAIC REPT was RMB44,930,000. The non-trade balance due to the SAIC REPT have been fully repaid before 31 March 2023.

(d) Compensation of key management personnel of the Group:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowances and benefits in kind	1,519	2,641	3,942
Performance related bonuses	884	1,500	6,660
Pension scheme contributions	16	219	484
Share incentive plan expense	–	26,052	76,715
	2,419	30,412	87,801

Having due regard to the substance of the relationships, the directors are of the opinion that meaningful information relating to related party disclosures has been adequately disclosed, and the Group has complied with the disclosure requirements in Chapter 14A of the Listing Rules.

38. TRANSFERS OF FINANCIAL ASSETS

Transferred financial assets that are not derecognized in their entirety

At 31 December 2020, 2021 and 2022, the Group endorsed certain bills receivables accepted by banks in Mainland China (the "Endorsed Bills") with a carrying amount of RMB93,886,000, RMB215,762,000, and RMB602,889,000 respectively, to certain of its suppliers in order to settle the trade payables due to such suppliers (the "Endorsement"). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognize the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amount of the trade payables settled by the Endorsed Bills during the year to which the suppliers have recourse was as RMB152,633,000, RMB744,633,000 and RMB980,673,000 at 31 December 2020, 2021 and 2022, respectively.

At 31 December 2020, 2021 and 2022, the Group discounted certain bills receivables accepted by banks in Mainland China (the "Discounted Bills") with a carrying amount of RMB793,000, RMB14,069,000 and RMB50,000 ,000 respectively (the "Discounting"). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Discounted Bills, and accordingly, it continued to recognize the full carrying amounts of the Discounted Bills and the associated banking borrowings. Subsequent to the Discounting, the Group did not retain any rights on the use of the Discounted Bills, including the sale, transfer or pledge of the Discounted Bills to any other third parties. The aggregate carrying amount of the Discounted Bills during the year to which the banks have recourse was RMB15,714,000, RMB19,119,000 and RMB81,889,000, as at 31 December 2020, 2021 and 2022, respectively.

Transferred financial assets that are derecognized in their entirety

At 31 December 2020, 2021 and 2022, the Group endorsed certain bills receivables accepted by banks in Mainland China to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB114,733,000, RMB301,729,000 and RMB4,246,010,000, respectively, and discounted certain bills receivable accepted by banks in Mainland China (the "Derecognized Bills") with a carrying amount of RMB133,698,000, RMB203,689,000 and nil, respectively. The Derecognized Bills had a maturity of one to six months at the end of each of the Relevant Periods. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognized Bills may exercise the right of recourse against any, several or all of the persons liable for the Derecognized Bills, including the Group, in disregard of the order of precedence (the "Continuing Involvement"). In the opinion of the directors, the risk of the Group being claimed by the holders of the Derecognized Bills is remote in the absence of a default of the accepted banks. The Group has transferred substantially all risks and rewards relating to the Derecognized Bills. Accordingly, it has derecognized the full carrying amounts of the Derecognized Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognized Bills and the undiscounted cash flows to repurchase these Derecognized Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognized Bills are not significant.

During the year ended 31 December 2020, 2021 and 2022, the Group has not recognized any gain or loss on the date of transfer of the Derecognized Bills. No gains or losses were recognized from the Continuing Involvement, both during the year or cumulatively. The endorsement and discounting have been made evenly throughout the year.

39. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments of the Group as at the end of each of the Relevant Periods are as follows:

Financial assets

As at 31 December 2020

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortized cost	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables	–	71,170	540,656	611,826
Contract assets	–	–	6,686	6,686
Financial assets included in prepayments, other receivables and other assets	–	–	2,395	2,395
Financial assets at fair value through profit and loss	50,454	–	–	50,454
Due from related parties	–	–	19,099	19,099
Restricted cash	–	–	40,850	40,850
Cash and cash equivalents	–	–	146,430	146,430
	50,454	71,170	756,116	877,740

As at 31 December 2021

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortized cost	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables	–	163,745	889,765	1,053,510
Contract assets	–	–	20,935	20,935
Financial assets included in prepayments, other receivables and other assets	–	–	14,116	14,116
Due from related parties	–	–	43,491	43,491
Restricted cash	–	–	817,327	817,327
Cash and cash equivalents	–	–	580,507	580,507
	–	163,745	2,366,141	2,529,886

As at 31 December 2022

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortized cost	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables	–	11,843	4,182,214	4,194,057
Contract assets	–	–	113,426	113,426
Financial assets included in prepayments, other receivables and other assets	–	–	319,627	319,627
Financial assets at fair value through profit and loss	17,186	–	–	17,186
Due from related parties	–	–	1,407,770	1,407,770
Restricted cash	–	–	1,844,468	1,844,468
Cash and cash equivalents	–	–	4,900,122	4,900,122
	17,186	11,843	12,767,627	12,796,656

Financial liabilities

As at 31 December 2020

	Financial liabilities at amortized cost
	RMB'000
Financial liabilities included in other payables and accruals	27,443
Due to related parties	1,132,459
Trade and bills payables	586,609
Interest-bearing bank borrowings	281,205
Lease liabilities	44,079
	2,071,795

As at 31 December 2021

	Financial liabilities at amortized cost
	RMB'000
Financial liabilities included in other payables and accruals	147,631
Due to related parties	3,029,579
Trade and bills payables	1,660,312
Interest-bearing bank borrowings	578,576
Lease liabilities	41,585
	5,457,683

As at 31 December 2022

	Financial liabilities at amortized cost
	RMB'000
Financial liabilities included in other payables and accruals	197,895
Due to related parties	117,383
Trade and bills payables	6,773,324
Interest-bearing bank and other borrowings	4,651,174
Lease liabilities	35,444
	11,775,220

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, time deposits, financial assets included in prepayments and other receivables, trade and bills receivables, due from related parties, trade and bills payables, financial liabilities included in other payables and accruals, due to related parties and current portion of interest-bearing bank borrowings approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of each of the Relevant Periods, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank borrowings as at the end of each of the Relevant Periods were assessed to be insignificant.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments.

Assets measured at fair value:

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bills receivables	–	71,170	–	71,170
Financial assets at fair value through profit or loss	–	50,454	–	50,454
	–	121,624	–	121,624

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bills receivables	–	163,745	–	163,745

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bills receivables	–	11,843	–	11,843
Financial assets at fair value through profit or loss	–	17,186	–	17,186
	–	29,029	–	29,029

The Group did not have any financial liabilities measured at fair value at the end of each of the Relevant Periods.

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents and bank borrowings. The main purpose of these financial instruments is to support the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The senior management of the Company meets regularly to analyze and formulate measures to manage the Group's exposure to these risks. In addition, the Board holds meetings regularly to analyze and approve the proposals made by the senior management of the Company. Generally, the Group introduces conservative strategies on its risk management. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The Board reviews and agrees policies for managing each of these risks and they are summarized below.

Interest rate risk

The Group's exposure to the risk of changes in fair value relates primarily to the Group's bank borrowings with a floating interest rate.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit after tax through the impact on floating rate borrowings and the Group's equity.

	Increase/ (decrease) in basis points	(Decrease)/ increase in profit/(loss) after tax	(Decrease)/ increase in equity
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
2020			
RMB	100	(1,338)	(1,338)
RMB	(100)	1,338	1,338
2021			
RMB	100	(1,790)	(1,790)
RMB	(100)	1,790	1,790
2022			
RMB	100	(24,920)	(24,920)
RMB	(100)	24,920	24,920

Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between RMB and other currencies in which the Group conducts business may affect the Group's financial condition and results of operations. The Group seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position.

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Group's loss before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

	(Decrease)/ increase in foreign exchange rate	(Decrease)/ increase in profit/(loss) after tax	(Decrease)/ increase in equity
	%	*(RMB'000)*	*(RMB'000)*
2020			
If RMB strengthens against US$	(5)	(6,310)	(6,310)
If RMB weakens against US$	5	6,310	6,310
2021			
If RMB strengthens against US$	(5)	(107)	(107)
If RMB weakens against US$	5	107	107
2022			
If RMB strengthens against US$	(5)	(1,557)	(1,557)
If RMB weakens against US$	5	1,557	1,557

Credit risk

The Group trades only with recognized and creditworthy third parties and there is no requirement for collateral. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. Concentrations of credit risk are managed by customer/counterparty and by industry sector.

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions, and year-end staging classification as at the end of each of the Relevant Periods. The amounts presented are gross amounts for financial assets.

31 December 2020

	12 months ECLs	**Lifetime ECLs**			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables*	–	–	–	613,879	613,879
Contract assets*	–	–	–	6,686	6,686
Financial assets included in prepayments and other receivables and other assets					
– Normal**	2,395	–	–	–	2,395
Due from related parties	1,880	–	–	17,219	19,099
Restricted cash	40,850	–	–	–	40,850
Cash and cash equivalents	146,430	–	–	–	146,430
	191,555	–	–	637,784	829,339

31 December 2021

	12 months ECLs	**Lifetime ECLs**			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables*	–	–	–	1,057,148	1,057,148
Contract assets*	–	–	–	20,935	20,935
Financial assets included in prepayments and other receivables and other assets					
– Normal**	14,116	–	–	–	14,116
Due from related parties	1,887	–	–	41,604	43,491
Restricted cash	817,327	–	–	–	817,327
Cash and cash equivalents	580,507	–	–	–	580,507
	1,413,837	–	–	1,119,687	2,533,524

31 December 2022

	12 months ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables*	–	–	–	4,278,745	4,278,745
Contract assets*	–	–	–	113,426	113,426
Financial assets included in prepayments and other receivables and other assets – Normal**	319,627	–	–	–	319,627
Due from related parties	1,887	–	–	1,405,883	1,407,770
Restricted cash	1,844,468	–	–	–	1,844,468
Cash and cash equivalents	4,900,122	–	–	–	4,900,122
	7,066,104	–	–	5,798,054	12,864,158

* For trade and bills receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 19 and note 20 to the Historical Financial Information.

** The credit quality of the financial assets included in prepayments and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables and other receivables are respectively disclosed in notes 19 and 17 to the Historical Financial Information.

Liquidity risk

The Group monitors its exposure to liquidity risk by monitoring the current ratio, which is calculated by comparing the current assets with the current liabilities.

The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations to meet its debt obligations as they fall due, and its ability to obtain external financing to meet its committed future capital expenditure.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

	As at 31 December 2020			
	On demand	Within 1 year	1 to 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Lease liabilities	–	8,281	39,880	48,161
Interest-bearing bank and other borrowings	–	185,048	117,602	302,650
Trade and bills payables	–	586,609	–	586,609
Financial liabilities included in other payables and accruals	–	35,468	–	35,468
Due to related parties	1,132,459	–	–	1,132,459
Total	**1,132,459**	**815,406**	**157,482**	**2,105,347**

	As at 31 December 2021			
	On demand	**Within 1 year**	**1 to 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Lease liabilities	–	10,411	35,896	46,307
Interest-bearing bank and other borrowings	–	387,742	225,304	613,046
Trade and bills payables	–	1,660,312	–	1,660,312
Financial liabilities included in other payables and accruals	–	165,472	–	165,472
Due to related parties	3,029,579	–	–	3,029,579
Total	**3,029,579**	**2,223,937**	**261,200**	**5,514,716**

	As at 31 December 2022				
	On demand	**Within 1 year**	**1 to 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Lease liabilities	–	11,070	27,838	–	38,908
Interest-bearing bank and other borrowings	–	659,434	3,058,489	1,714,306	5,432,229
Trade and bills payables	–	6,773,324	–	–	6,773,324
Financial liabilities included in other payables and accruals	–	197,895	–	–	197,895
Due to related parties	117,383	–	–	–	117,383
Total	**117,383**	**7,641,723**	**3,086,327**	**1,714,306**	**12,559,739**

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits to other stakeholders, by pricing services commensurately with the level of risk.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

42. SUBSEQUENT EVENTS

In January 2023, the Company and Wenzhou Jianeng Business Management Co., Ltd. ("溫州嘉能商業管理有限公司") ("Wenzhou Jianeng") jointly invested to establish Zhejiang Qingruida Precision Technology Co., LTD. ("浙江青瑞達精密科技有限公司"). The Company subscribed RMB40,000,000 to hold 40% shares, and Wenzhou Jianeng subscribed RMB60,000,000 to hold 60% shares.

In January 2023, the Company, Hunan Farnlet New Energy Technology Co., Ltd. ("湖南法恩萊特新能源科技有限公司") ("Hunan Farnlet"), Liuzhou Yiling Automotive Investment Development Co., Ltd. ("柳州益菱汽車投資發展有限公司") ("Liuzhou Yiling"), Liuzhou SAIC Technology Development Co., Ltd. ("柳州賽克科技發展有限公司") ("Liuzhou SAIC"), Guangxi Liuzhou Hejumingde Investment Fund Center (Limited Partnership) ("廣西柳州市和聚明德投資基金中心 (有限合夥)") ("Hejumingde"), Liuzhou Laili Venture Capital Center (Limited Partnership) ("柳州萊利創業投資中心(有限合夥)") ("Liuzhou Laili"), Guangzhou Great Power Energy & Technology Co., Ltd.

("廣州鵬輝能源科技股份有限公司") ("Guangzhou Great Power"), jointly invested to establish Liuzhou Fansaike New Energy Technology Co., Ltd. ("柳州法恩賽克新能源科技有限公司"). The Company subscribed RMB10,000,000 to hold 5% shares, Hunan Farnlet subscribed RMB100,200,000 to hold 50.1% shares, Liuzhou Yiling subscribed RMB33,600,000 to hold 16.8% shares, Liuzhou SAIC subscribed RMB20,000,000 to hold 10% shares, Hejumingde subscribed RMB14,200,000 to hold 7.1% shares, Liuzhou Laili subscribed RMB12,000,000 to hold 6% shares and Guangzhou Great Power subscribed RMB10,000,000 to hold 5% shares.

43. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2022.

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

TAXATION OF SECURITY HOLDERS

The following summary of certain Hong Kong and PRC tax consequences of the purchase, ownership and disposition of the H Shares is based upon the laws, regulations, rules and decisions now in effect, all of which are subject to change (possibly with retroactive effect). The summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the H Shares and does not purport to apply to all categories of prospective investors, some of whom may be subject to special rules, which does not and shall not be deemed as consisting a legal or taxation suggestion. Prospective investors should consult their own tax advisers concerning the application of the Hong Kong and PRC tax laws to their particular situation as well as any consequences of the purchase, ownership and disposition of the H Shares arising under the laws of any other taxing jurisdiction.

The taxation of the Company and that of the Shareholders is described below. Where the Hong Kong and PRC tax laws are discussed. These are merely an outline implications of such laws. It should not be assumed that the relevant tax authorities or the PRC or Hong Kong courts will accept or agree with the explanations or conclusions that are set out below.

Investors should note that the following statements are based on advice received by the Company regarding taxation laws, regulations and practice in force as at the date of this document, which may be subject to change.

OVERVIEW OF TAX IMPLICATIONS OF THE PRC

Taxation on Dividends

Individual Investors

Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) (the "IIT Law"), which was last amended on August 31, 2018 and the Regulations on Implementation of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》), which was last amended on December 18, 2018, dividends paid by PRC enterprises are subject to individual income tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to individual income tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by an applicable tax treaty.

Pursuant to the Notice of the SAT on Issues Concerning Taxation and Administration of Individual Income Tax After the Repeal of the Document Guo Shui Fa [1993] No. 45 (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) issued by the SAT on June 28, 2011, domestic non-foreign-invested enterprises issuing shares in Hong Kong may, when distributing dividends to overseas resident individuals in the jurisdiction of the tax treaty, normally withhold individual income tax at the rate of 10%. For the individual holders of H Shares receiving dividends who are citizens of countries that have entered into a tax treaty with the PRC with tax rates lower than 10%, the non-foreign-invested enterprise whose shares are listed in Hong Kong may apply on behalf of such holders for enjoying the lower preferential tax treatments, and, upon approval by the tax authorities, the excessive withholding amount will be refunded. For the individual holders of H Shares receiving dividends who are citizens of countries that have entered into a tax treaty with the PRC with tax rates higher than 10% but lower than 20%, the non-foreign-invested enterprise is required to withhold the tax at the agreed rate under the treaties, and no application procedures will be necessary. For the individual holders of H Shares receiving dividends who are citizens of countries without taxation treaties with the PRC or are under other situations, the non-foreign invested enterprise is required to withhold the tax at a rate of 20%.

According to the Notice on Issues concerning the Implementation of Differential Individual Income Tax Policies on Dividends and Bonuses of Listed Companies (《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》) (Cai Shui [2015] No. 101) issued by the MOF on September 7, 2015, where an individual acquires the stocks of a listed company from public offering of the company or from the stock market, if the stock holding period is more than one year, the dividend incomes shall be exempted from personal income tax. Where an individual acquires the stocks of a listed company from public offering of the company or from the stock market, if the stock holding period is one month or less, the income from dividends shall be included into the taxable incomes in full amount; if the stock holding period is more than one month and up to one year, 50% of the dividend income shall be included into the taxable incomes. The individual income tax rate on the aforesaid income is imposed at the uniform rate of 20%. In practice, the withholding rate on non-resident individuals' dividends may be lower than 20% in certain circumstances.

Pursuant to the Arrangement between the Mainland and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), which was signed on August 21, 2006, the Chinese Government may levy taxes on the dividends paid by a Chinese company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of the total dividends payable by the Chinese company. If a Hong Kong resident directly holds 25% or more of the equity interest in a Chinese company, then such tax shall not exceed 5% of the total dividends payable by the Chinese company if the Hong Kong resident is the beneficial owner of the equity and certain other conditions are met. The Fifth Protocol of the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion issued by the State Administration of Taxation (《第五議定書》), which came into effect on December 6, 2019, adds a criteria for the qualification of entitlement to enjoy treaty benefits. Although there may be other provisions under the Arrangement, the treaty benefits under the criteria shall not be granted in the circumstance where relevant treaty benefits, after taking into account all relevant facts and conditions, are reasonably deemed to be one of the main purposes for the arrangement or transactions which will bring any direct or indirect benefits under this Arrangement, except when the grant of benefits under such circumstance is consistent with relevant objective and goal under the Arrangement. The application of the dividend clause of tax agreements is subject to the requirements of PRC tax law and regulation, such as the Notice of the State Administration of Taxation on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》》) (Guo Shui Han [2009] No. 81).

Enterprise Investors

In accordance with the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the"EIT Law"), which came into effect as of January 1, 2008 and was last amended on December 29, 2018, and the Implementation provisions for the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》), which came into effect as of January 1, 2008 and was last amended on April 23, 2019, the rate of enterprise income tax shall be 25%. A non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income (including dividends received from a PRC resident enterprise that issues shares in Hong Kong), if such non-resident enterprise does not have an establishment or place in the PRC or has an establishment or place in the PRC but the PRC-sourced income is not connected to such establishment or place in the PRC. The aforesaid income tax may be reduced pursuant to applicable treaties to avoid double taxation. Such withholding tax for non-resident enterprises are deducted at source, where the payer of the income are required to withhold the income tax from the amount to be paid to the non-resident enterprise when such payment is made or due.

The Circular of the SAT on Issues Relating to the Withholding of Enterprise Income Tax on Dividends Paid by Chinese Resident Enterprises to Overseas Non-PRC Resident Enterprise Shareholders of H Shares (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》, Guo Shui Han [2008] No. 897) which was issued by the SAT on November 6, 2008, further clarified that a PRC-resident enterprise must withhold enterprise income tax at a rate of 10% on dividends paid to overseas non-resident enterprise shareholders of H Shares for 2008 and subsequent years. In addition, the Response to Issues on Levying Enterprise Income Tax on Dividends Derived by Non-resident Enterprise from Holding Stock such as B-shares (《國家稅務總局關於非居民企業取得B股等股票股息徵收企業所得稅問題的批復》, Guo Shui Han [2009] No. 394) which was issued by the SAT and came into effect on July 24, 2009, further provides that any PRC-resident enterprise that is listed on overseas stock exchanges must withhold enterprise income tax at a rate of 10% on dividends of 2008 and onwards that it distributes to non-resident enterprises. Such tax rates may be further modified pursuant to the tax treaty or agreement that China has concluded with a relevant jurisdiction, where applicable.

Pursuant to the Arrangement between the Mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) signed on August 21, 2006, PRC Government may levy taxes on the dividends paid by a Chinese company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of total dividends payable by the Chinese company. If a Hong Kong resident directly holds 25% or more of the equity interest in a Chinese company, then such tax shall not exceed 5% of the total dividends payable by the Chinese company. The Fifth Protocol of the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion issued by the SAT (《國家稅務總局關於第五議定書》) effective on December 6, 2019 states that such provisions shall not apply to those arrangements or transactions, of which the main purpose includes gaining such tax benefit. The application of the dividend clause of tax agreements shall be subject to the PRC tax laws and regulations, such as the Notice of the SAT on the Issues Concerning the Implementation of the Dividend Clauses of Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》, Guo Shui Han [2009] No. 81).

Non-PRC resident investors residing in countries which have entered into treaties for the avoidance of double taxation with the PRC are entitled to a reduction of the withholding taxes imposed on the dividends received from PRC companies. The PRC currently has entered into Avoidance of Double Taxation Treaties/Arrangements with a number of countries and regions including Hong Kong, Macau, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant income tax treaties or arrangements are required to apply to the Chinese tax authorities for a refund of the withholding tax in excess of the agreed tax rate, and the refund payment is subject to approval by the Chinese tax authorities.

Taxation on Share Transfer

Value-Added Tax and Local Surcharges

Pursuant to the Notice on the Full Implementation of Pilot Program for Transition from Business Tax to VAT (《關於全面推開營業稅改徵增值稅試點的通知》, Cai Shui [2016] No. 36, "Circular 36"), effective from May 1, 2016, entities and individuals engaged in sales of services within the PRC shall be subject to VAT and sales of services within the PRC refers to the situation where either the seller or the buyer of a taxable service is located within the PRC. Circular 36 also provides that transfer of financial products, including transfer of the ownership of marketable securities, shall be subject to VAT at 6% on the taxable income (which is the balance of sales price upon deduction of purchase price), for a general or a foreign VAT taxpayer. However, individuals are exempt from VAT upon transfer of financial products. Meanwhile, VAT taxpayers are also subject to urban maintenance and construction tax, education surcharge and local education surcharge (collectively, "local surcharges"), which is usually at 12% of the VAT payable, if any.

Income Tax

Individual Investors

According to the IIT Law and its implementation provisions, gains realized on the sale of equity interests in the PRC resident enterprises are subject to the individual income tax at a rate of 20%. Pursuant to the Circular of the MOF and the SAT on Declaring that Individual Income Tax Continues to be Exempted over Individual Income from Transfer of Shares (《財政部及國家稅務總局關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) issued by the MOF and the SAT on March 20, 1998, from January 1, 1997, income of individuals from the transfer of shares of listed enterprises shall continue to be exempted from individual income tax. On December 31, 2009, the MOF, the SAT and the CSRC jointly issued the Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》) which states that individuals' income from the transfer of listed shares on Shanghai Stock Exchange or Shenzhen Stock Exchange shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restriction as defined in the Supplementary Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》) jointly issued by the three aforementioned authorities on November 10, 2010.

As of the Latest Practicable Date, the aforesaid provision has not expressly provided that individual income tax shall be collected from non-PRC resident individuals on the sale of shares of PRC resident enterprises listed on overseas stock exchanges. To our knowledge, in practice, the PRC tax authorities have not sought to collect income tax from non-PRC resident individuals on gains from the sale of listed shares of PRC resident enterprises on overseas stock exchanges. However, there is no assurance that the PRC tax authorities will not change these practices, which could result in levying income tax on non-PRC resident individuals on gains from the sale of our H Share.

Enterprise Investors

In accordance with the EIT Law and its implementation provisions, a non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if it does not have an establishment or place in the PRC or has an establishment or premises in the PRC but the PRC-sourced income does not have actual connection with such establishment or premise. Such income tax for non-resident enterprises are deducted at source, where the payer of the income are required to withhold the income tax from the amount to be paid to the non-resident enterprise when such payment is made or due. The withholding tax may be reduced or exempted pursuant to relevant treaties or agreements on avoidance of double taxation.

Stamp Duty

Pursuant to the Provisional Regulations of the PRC Concerning Stamp Duty (《中華人民共和國印花稅暫行條例》) effective as of October 1, 1988, amended on January 8, 2011 and replaced by Stamp Duty Law (《中華人民共和國印花稅法》) promulgated June 10, 2021 and effective as of July 1, 2022, and the Detailed Rules for Implementation of Provisional Regulations of the PRC Concerning Stamp Duty (《中華人民共和國印花稅暫行條例施行細則》) effective as of October 1, 1988, PRC stamp duty only applies on specific proof executed or received within the PRC and legally binding force in the PRC and protected under the PRC laws, thus the requirements of the stamp duty imposed on the transfer of shares of PRC listed companies shall not apply to the acquisition and disposal of H Shares by non-PRC investors outside of the PRC.

PRINCIPAL TAXATION OF THE COMPANY IN THE PRC

Enterprise Income Tax

Pursuant to EIT Law and its implementation provisions, enterprises and other organizations which generate income within the PRC are enterprise income tax payers and shall pay enterprise income tax at a tax rate of 25%. A foreign-invested enterprise in the PRC that is classified as a resident enterprise shall pay enterprise income tax on its income derived from sources within and without China at a rate of 25%.

Value-added Tax

Pursuant to Provisional Regulations of the People's Republic of China on Value-added Tax (《增值稅暫行條例》) ("VAT Regulations") and Implementation Rules for the Provisional Regulations the People's Republic of China on Value-added Tax (《增值稅暫行條例實施細則》) ("VAT Implementation Rules"), entities and individuals that sell goods or labor services of processing, repair or replacement, sales, intangible assets, real estates, or import goods within the territory of the PRC are taxpayers of value-added tax ("VAT"), and shall pay VAT in accordance with these Regulations. Unless otherwise provided for by law, the VAT rate is: 17%, for taxpayers selling goods, labor services, or tangible movable property leasing services or importing goods; 11%, for taxpayers selling transportation, postal, basic telecommunications, construction, or real estates leasing services, selling real estates, transferring the rights to use land, or selling or importing specific goods; 6%, for taxpayers selling services or intangible assets; zero, for domestic entities and individuals selling services or intangible assets within the scope prescribed by the State Council across national borders; and zero, for export, (except as otherwise specified by the State Council).

Pursuant to the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (《關於全面推開營業稅改徵增值稅試點的通知》) (promulgated by the MOF and the SAT on March 23, 2016, came into effect on May 1, 2016 and as amended on July 11, 2017, December 25, 2017 and March 20, 2019 respectively), the pilot program of the collection of value-added tax in lieu of business tax shall be promoted nationwide in a comprehensive manner, and all taxpayers of business tax engaged in the building industry, the real estate industry, the financial industry and the life service industry shall be included in the scope of the pilot program with regard to payment of value-added tax instead of business tax.

Pursuant to the Circular of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates (《關於調整增值稅稅率的通知》) ("cai shui [2018] No. 32", promulgated on April 4, 2018 and came into effect on May 1, 2018, by the MOF and the SAT), where a taxpayer engages in a taxable sales activity for the value-added tax purpose or imports goods, the previous applicable 17% and 11% tax rates are lowered to 16% and 10% respectively.

Pursuant to the Announcement on Relevant Policies for Deepening the Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》) (promulgated by the MOF, the SAT and the General Administration of Customs of the PRC on March 20, 2019 and came into effect on April 1, 2019) ("Circular 39"), tax rates of the VAT on sales and imported goods that were previously subject to 16% and 10% were adjusted to 13% and 9% respectively.

OVERVIEW OF TAX IMPLICATIONS OF HONG KONG

Hong Kong Taxation of the Company

Profits Tax

The Company will be subject to Hong Kong profits tax in respect of profits arising in or derived from Hong Kong at the current rate of 16.5%, unless such profits are chargeable under the half-rate of 8.25% that may apply for the first HK$2 million of assessable profits for years of assessment beginning on or after April 1, 2018. Dividend income derived by the Company from its subsidiary will be excluded from Hong Kong profits tax.

Hong Kong Taxation of Shareholders

Tax on Dividends

No tax is payable in Hong Kong in respect of dividends paid by the Company.

Profits Tax

Hong Kong profits tax will not be payable by any Shareholders (other than Shareholders carrying on a trade, profession or business in Hong Kong and holding the H Shares for trading purposes) on any capital gains made on the sale or other disposal of the Shares. Trading gains from the sale of H Shares by persons carrying on a trade, profession or business in Hong Kong where such gains are derived from or arise in Hong Kong from such trade, profession or business will be chargeable to Hong Kong income tax rates of 16.5% on corporations and 15.0% on individuals, unless such gains are chargeable under the respective half-rates of 8.25%

and 7.5% that may apply for the first HK$2 million of assessable profits for years of assessment beginning on or after April 1, 2018. Gains from sales of H Shares effected on the Hong Kong Stock Exchange will be considered by the Hong Kong Inland Revenue Department to be derived from or arise in Hong Kong. Shareholders should take advice from their own professional advisers as to their particular tax position.

Stamp Duty

Hong Kong stamp duty will be charged on the sale and purchase of Shares at the current rate of 0.2% of the consideration for, or (if greater) the value of, the Shares being sold or purchased, whether or not the sale or purchase is on or off the Hong Kong Stock Exchange. The Shareholder selling the Shares and the purchaser will each be liable for one-half of the amount of Hong Kong stamp duty payable upon such transfer. In addition, a fixed duty of HK$5 is currently payable on any instrument of transfer of Shares.

Estate Duty

Hong Kong estate duty was abolished effective from February 11, 2006. No Hong Kong estate duty is payable by Shareholders in relation to the Shares owned by them upon death.

FOREIGN EXCHANGE CONTROL OF THE PRC

The lawful currency of the PRC is Renminbi, which is currently subject to foreign exchange controls and cannot be freely converted into foreign currency. The SAFE, under the authority of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

According to Regulations on Foreign Exchange Administration of the PRC (《中華人民共和國外匯管理條例》) (the "Foreign Exchange Administration Regulations"), which was promulgated by the State Council on January 29, 1996 and came into effect since 1 April 1996, the Foreign Exchange Administration Regulations classify all international payments and transfers into current items and capital items. Most of the current items are not subject to the approval of foreign exchange administration agencies, while capital items are subject to such approval. The Foreign Exchange Administration Regulations were subsequently amended on January 14, 1997 and August 1, 2008, and came into effect on August 5, 2008. The latest amendment to the Foreign Exchange Administration Regulations clearly states that PRC will not impose any restriction on international current payments and transfers.

On June 20, 1996, PBOC promulgated the Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) (the "Settlement Regulations"), which became effective on July 1, 1996. The Settlement Regulations do not impose any restrictions on convertibility of foreign exchange under current items, while imposes restrictions on foreign exchange transactions under capital items.

According to the relevant laws and regulations in the PRC, PRC enterprises (including foreign investment enterprises) which need foreign exchange for current item transactions may, without the approval of the foreign exchange administrative authorities, effect payment through foreign exchange accounts opened at financial institutions that carries foreign exchange business or operating institutions that carries settlement and sale business, on the strength of valid receipts and proof. Foreign investment enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with regulations, are required to pay dividends to their shareholders in foreign exchange may, on the strength of resolutions of the board of directors or the shareholders' meeting on the distribution of profits, effect payment from foreign exchange accounts opened at financial institutions that carries foreign exchange business or institutions that carries settlement and sale business, or effect exchange and payment at financial institutions that carry foreign exchange business or institutions that carry settlement and sale business.

The Decisions of the State Council on Matters including Canceling and Adjusting a Batch of Administrative Approval Items (《國務院關於取消和調整一批行政審批項目等事項的決定》) promulgated by the State Council on October 23, 2014 has canceled the approval requirement of the SAFE and it branches for the remittance and settlement of the proceeds raised from the overseas listing of the foreign shares into RMB domestic accounts.

On December 26, 2014, the SAFE issued the Notice of the SAFE on Issues Concerning the Foreign Exchange Administration of Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》), pursuant to which a domestic company shall, within 15 business days of the date of the end of its overseas listing issuance, register the overseas listing with the SAFE's local branch at the place of its incorporation; and the proceeds from an overseas listing of a domestic company may be remitted to the domestic account or deposited in an overseas account, but the use of the proceeds shall be consistent with the content of the prospectus and other disclosure documents.

On February 13, 2015, the SAFE issued the Notice of the SAFE on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (Hui Fa [2015] No. 13), which came into effect on June 1, 2015. The notice has canceled the confirmation of foreign exchange registration under domestic direct investment and the confirmation of foreign exchange registration under overseas direct investment, instead, banks shall directly examine and handle foreign exchange registration under domestic direct investment and foreign exchange registration under overseas direct investment, and the SAFE and its local offices shall indirectly regulate the foreign exchange registration of direct investment through banks.

According to the Notice of the SAFE of the PRC on Revolutionize and Regulate Capital Account Settlement Management Policies (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (Hui Fa [2016] No. 16) issued by the SAFE on June 9, 2016, foreign currency earnings in capital account that relevant policies of willingness exchange settlement have been clearly implemented on (including the recalling of raised capital by overseas listing) may undertake foreign exchange settlement in the banks according to actual business needs of the domestic institutions. The tentative percentage of foreign exchange settlement for foreign currency earnings in capital account of domestic institutions is 100%, subject to adjust of the SAFE in due time in accordance with international revenue and expenditure situations.

This Appendix summarizes certain aspects of PRC laws and regulations which are relevant to the Company's operations and business. Laws and regulations relating to taxation in the PRC are discussed separately in "Appendix III – Taxation and Foreign Exchange" to this document. This Appendix also contains a summary of certain material differences between laws and regulatory provisions of Hong Kong and the PRC Company Law. The principal objective of this summary is to provide potential investors with an overview of the principal laws and regulatory provisions applicable to the Company. This summary is not intended to include all the information which is important to the potential investors. For a discussion of laws and regulations which are relevant to the Company's business, see "Regulatory Overview" in this document.

THE PRC LEGAL SYSTEM

The PRC legal system is based on the PRC Constitution (《中華人民共和國憲法》) (hereinafter referred to as the "Constitution (《憲法》)") and is made up of written laws, administrative regulations, local regulations, separate regulations, rules and regulations of departments of the State Council, rules and regulations of local governments, autonomous regulations, separate regulations of autonomous regions, special administrative region law and international treaties and other regulatory documents signed by the PRC government. Court decisions do not constitute binding precedents, although they are used for the purposes of judicial reference and guidance.

According to the Constitution and the Legislation Law of the People's Republic of China (《中華人民共和國立法法》) (the "Legislation Law (《立法法》)"), which was amended by the National People's Congress (the "NPC") and became effective on March 15, 2015, the NPC and the Standing Committee of the National People's Congress (The "SCNPC") are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend basic laws governing criminal and civil matters, state organs and other matters. The SCNPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during the adjournment of the NPC, provided such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of state administration and has the power to formulate administrative regulations based on the Constitution and laws. The people's congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual needs of their respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations. The people's congresses of cities divided into districts and their standing committees may formulate local regulations on matters such as urban and rural construction and management, environmental protection and historical and cultural protection based on the specific circumstances and actual needs of such cities, provided that such local regulations do not contravene any provision of the Constitution, laws, administrative regulations and local regulations of such provinces or autonomous regions. Where laws have other stipulations on matters of local regulations formulated by cities divided into districts, such stipulations shall prevail. The local regulations of cities divided into districts shall be submitted to the standing committees of the people's congresses of provinces and autonomous regions for approval before implementation. The standing committees of the people's congresses of provinces or autonomous regions shall examine the legality of local regulations submitted for approval, and such approval should be granted within four months if they are not in conflict with the Constitution, laws, administrative regulations and local regulations of their respective provinces or autonomous regions. People's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in the light of the political, economic and cultural characteristics of the nationality (nationalities) in the areas concerned. The ministries, commissions, PBOC, NAO of the State Council and institutions with administrative functions directly under the State Council may formulate rules and regulations within the jurisdiction of their respective departments based on the laws and the administrative regulations, decisions and rulings of the State Council.

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations or rules may contravene the Constitution. The authority of laws is greater than that of administrative regulations, local regulations and rules. The authority of administrative regulations is greater than that of local regulations and rules. The authority of the rules enacted by the people's governments of the provinces and autonomous regions is greater than that of the rules enacted by the people's governments of the cities divided into districts within their respective administrative regions.

The NPC has the power to alter or annul any inappropriate laws enacted by the SCNPC, and to annul any autonomous regulations and separate regulations which have been approved by the SCNPC but which contravene the Constitution and the Legislation Law; the SCNPC has the power to annul administrative regulations that contravene the Constitution and laws, to annul local regulations that contravene the Constitution, laws and administrative regulations, and to annul autonomous regulations and separate regulations which have been approved by the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities directly under the Central Government, but which contravene the Constitution and the Legislation Law; The State Council has the power to alter or annul any inappropriate ministerial rules and rules of local governments; The people's congresses of provinces, autonomous regions and municipalities directly under the Central Government have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees; The standing committees of the local people's congresses have the power to annul inappropriate rules enacted by the people's governments at the corresponding level; The people's governments of provinces and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people's governments at a lower level.

According to the Constitution and the Legislation Law, the power to interpret laws is vested in the SCNPC. According to the Decision of the SCNPC Regarding the Strengthening of Interpretation of Laws (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed by the SCNPC and effective on June 10, 1981, the Supreme People's Court shall give interpretation on questions involving the specific application of laws and decrees in court trials. The Supreme People's Procuratorate shall interpret all issues involving the specific application of laws and decrees in the procuratorial work. Interpretation of questions involving the specific application of laws and decrees in areas unrelated to judicial and procuratorial work shall be provided by the State Council and competent authorities. Where the scope of local regulations needs to be further defined or additional stipulations need to be made, the standing committees of the people's congresses of provinces, autonomous regions and municipalities directly under the Central Government which have enacted these regulations shall provide the interpretations or make the stipulations. Interpretation of questions involving the specific application of local regulations shall be provided by the competent departments of the people's governments of provinces, autonomous regions and municipalities.

PRC JUDICIAL SYSTEM

According to the Constitution and the Law of the PRC of Organization of the People's Courts (《中華人民共和國人民法院組織法》) amended by the SCNPC on October 26, 2018 and becoming effective on January 1, 2019, the PRC People's Court is made up of the Supreme People's Court, the local people's courts, and other special people's courts. The local people's courts are divided into three levels, namely the basic people's courts, the intermediate people's courts and the higher people's courts. The basic people's courts may set up certain people's tribunals based on the status of the region, population and cases. The Supreme People's Court shall be the highest judicial organ of the state. The Supreme People's Court shall supervise the administration of justice by the local people's courts at all levels and by the special people's courts. The people's courts at a higher level shall supervise the judicial work of the people's courts at lower levels.

According to The Constitution and d the Law of Organization of the People's Procuratorate of the PRC "《中華人民共和國人民檢察院組織法》" revised by SCNPC on October 26, 2018 and taking effect on January 1, 2019, the People's Procuratorate is the law supervision organ of the state. The Supreme People's Procuratorate shall be the highest procuratorial organ. The Supreme People's Procuratorate shall direct the work of the local people's procuratorates at all levels and of the special people's procuratorates; the people's procuratorates at higher levels shall direct the work of those at lower levels.

The people's courts employ a two-tier appellate system, i.e., judgments or rulings of the second instance at the people's courts are final. A party may appeal against the judgment or ruling of the first instance of a local people's courts. The people's procuratorate may present a protest to the people's courts at the next higher level in accordance with the procedures stipulated by the laws. In the absence of any appeal by the parties and any protest by the people's procuratorate within the stipulated period, the judgments or rulings of the people's courts are final. Judgments or rulings of the second instance of the intermediate people's courts, the higher people's courts and the Supreme People's Court and those of the first instance of the Supreme People's Court are final. However, if the Supreme People's Court or the people's courts at the next higher level finds any definite errors in a legally effective final judgment or ruling of the people's court at a lower level, or if the chief judge of a people's court at any level finds any definite errors in a legally effective final judgment or ruling of such court, the case can be retried according to judicial supervision procedures.

The PRC Civil Procedure Law (《中華人民共和國民事訴訟法》) (the "PRC Civil Procedure Law (《中國民事訴訟法》)") adopted by the SCNPC on June 27, 2017 and became effective on July 1, 2017 sets forth the requirements for instituting a civil action, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the PRC Civil Procedure Law. Civil cases are generally heard by the courts where the defendants are located. The court of jurisdiction in a civil action may be chosen by express agreement between the parties, provided that the court is located at a place that has direct connection with the dispute, such as the plaintiff's or the defendant's place of domicile, the place where the contract is performed or signed or the object of the action is located. However, the choice of the court cannot be in conflict with the regulations of different jurisdictions and exclusive jurisdictions in any case.

A foreign individual, a person without nationality, a foreign-invested enterprise or a foreign organization must have the same litigation rights and obligations as a PRC citizen, legal person or other organizations when initiating or defending any proceedings at a people's court. If a foreign court limits the litigation rights of PRC citizens and enterprises, the PRC court may apply the same limitations to the citizens and enterprises of such foreign country. A foreign individual, a person without nationality, a foreign-invested enterprise or a foreign organization must engage a PRC lawyer if such person needs to engage a lawyer in initiating or defending any proceedings at a people's court. Under an international treaty or the principle of reciprocity signed or acceded to by the PRC, the people's court and foreign courts may require each other to act on their behalf to serve documents, conduct investigations, collect evidence and take other actions on behalf of each other. If the request by a foreign court would result in the violation of the PRC's sovereignty, security or public interest, the people's court shall decline the request.

All parties must comply with legally effective civil judgments and rulings. If any party to a civil action refuses to comply with a judgment or order made by a people's court or an award made by an arbitration tribunal in the PRC, the other party may apply to the people's court for enforcement within two years. Suspension or disruption of the time limit for applying for such enforcement shall comply with the provisions of the applicable law concerning the suspension or disruption of the time-barring of actions.

When a party applies to a people's court for enforcing an effective judgment or ruling by a people's court against a party who is not located within the territory of the PRC or whose property is not within the PRC, the party may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgment or ruling. A foreign judgment or ruling may also be recognized and enforced by the people's court according to the PRC enforcement procedures if the PRC has entered into, or acceded to, an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principle of reciprocity, unless the people's court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security, or for reasons of social and public interests.

THE PRC COMPANY LAW, SPECIAL REGULATIONS, MANDATORY PROVISIONS AND OFFICIAL REPLY

A joint stock limited company incorporated in the PRC seeking a list on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") is mainly subject to the following laws and regulations of the PRC:

The PRC Company Law (《中華人民共和國公司法》) (hereinafter referred to as the "Company Law (《公司法》)") was adopted by the Fifth Standing Committee Meeting of the Eighth NPC on December, 29 1993 and came into effect on July 1, 1994, and was amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013 and October 26, 2018. The latest revised Company Law came into effect on October 26, 2018.

The Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (《國務院關於股份有限公司境外募集股份及上市的特別規定》) (the "Special Regulations (《特別規定》)") were promulgated by the State Council and became effective on August 4, 1994. The Special Regulations include provisions in relation to the overseas share listed and listing of joint stock limited companies.

The Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (《到境外上市公司章程必備條款》) (hereinafter referred to as the "Mandatory Provisions (《必備條款》)") were promulgated by the former Securities Commission of the State Council and the former State Economic Restructuring Commission and became effective on August 27, 1994, prescribing provisions which must be incorporated into the articles of association of joint stock limited companies to be listed on overseas stock exchanges.

The Letter of Opinions on Supplementary Amendments to the Articles of Association of Companies to be Listed in Hong Kong (《關於到香港上市公司對公司章程作補充修改的意見的函》) issued by the China Securities Regulatory Commission ("CSRC") and the Production System Department of the former State Commission for Restructuring the Economic System and came into effect on April 3, 1995 further provides that the Mandatory Provisions apply to companies to be listed in Hong Kong.

According to the Reply of the State Council on Adjusting the Provisions Applicable to the Notice Period for Convening Shareholders' General Meetings and Other Matters Applicable to Overseas Listed Companies (《國務院關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批覆》) (hereinafter referred to as the "Official Reply (《正式批覆》)"), which was issued by the State Council and came into effect on October 17, 2019, the notice period, shareholders' proposal right and the procedures for convening shareholders' general meetings of joint stock limited companies established in the PRC but listed overseas are governed by the Company Law, and the Article 20 to Article 22 of the Special Regulations are no longer applicable.

Set out below is a summary of the major provisions of the Company Law, the Special Regulations, the Mandatory Provisions and the Official Reply which are applicable to the Company.

General Provisions

"A joint stock limited company" means is a corporate legal person incorporated under the Company Law, whose registered capital is divided into shares of equal par value. The liability of its shareholders is limited to the extent of the shares held by them and the liability of a company is limited to the full value of all the property owned by it.

A company must conduct its business in accordance with laws as well as public and commercial ethics. A company may invest in other limited liability companies. The liabilities of the company to such invested companies are limited to the amount invested. Unless otherwise provided by laws, a company cannot be the capital contributor who has the joint liabilities associated with the debts of the invested enterprises.

Incorporation

A joint stock limited company may be incorporated by promotion or subscription. A joint stock limited company may be incorporated by a minimum of two but not more than 200 promoters, and at least half of the promoters must have residence within the PRC.

The promoters shall convene an inaugural meeting of the company within 30 days after the share capital has been paid-up, and shall notified all subscribers the date of the meeting or make an announcement in this regard 15 days before the meeting. The inaugural meeting may be held only the presence of promoters and subscribers holding more than 50% of the total number of shares. Powers to be exercised at the inaugural meeting include but not limited to the adoption of articles of association and the election of members of the board of directors and the supervisory committee of a company. The aforesaid matters shall be resolved by more than 50% of the votes to be casted by subscribers presented at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors shall apply to the registration authority for registration of the incorporation of the joint stock limited company. A company is formally established and has the status of a legal person after the business license has been issued by the relevant registration authority. A joint stock limited company established by the subscription method shall obtain the approval for listing from the securities regulatory authority of the State Council and submit the approval to the company registration authority.

A joint stock limited company's promoters shall be liable for: (1) the payment of debts and expenses incurred in the incorporation process jointly and severally if a company cannot be incorporated; (2) the refund of subscription monies paid by the subscribers, together with interest, at bank rates of deposit for the same period jointly and severally if a company cannot be incorporated; and (3) the compensation of any damages suffered by a company as a result of the default of the promoters in the course of its establishment.

Registered Shares

Under the Company Law, shareholders may make capital contributions in cash, or with non- monetary property that may be valued in money and legally transferred, such as contribution in kind or with an intellectual property rights or land use rights.

According to the Special Regulations and the Mandatory Provisions, the shares issued to foreign investors and listed overseas by a company shall be in registered form, denominated in Renminbi and subscribed for in foreign currency. Shares issued to foreign investors and listed overseas are classified as listing foreign shares, and those shares issued to investors within the PRC, are known as domestic shares. Under the Special Regulations, upon approval of CSRC, a company may agree, in the underwriting agreement in respect of an issue of listed foreign shares, to retain not more than 15% of the aggregate number of such listed foreign invested shares proposed to be issued in addition to the number of underwritten shares. The issuance of the retained shares is deemed to be a part of this issuance.

Under the Company Law, when a company issues shares in registered form, it shall maintain a register of shareholders, stating the following matters: (1) the name and domicile of a shareholder; (2) the number of shares held by each shareholder; (3) the serial number of the shares held by each shareholder; and (4) the date on which each shareholder acquired the shares.

Increase in Share Capital

Under the Company Law, in the case of a joint stock limited company issuing new shares, resolutions shall be passed at the shareholders' general meeting in respect of the class and number of new shares, the issue price of the new shares, the commencement and end dates for the issuance of new shares and the class and number of the new shares proposed to be issued to existing shareholders. When a company launches a list of new shares under the permission of the securities regulatory authority of the State Council, it must publish a document for the new shares and financial and accounting reports, and prepare the share subscription form. After payment in full for the new shares issued, a company must change its registration with a company registration authority and make an announcement accordingly.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the Company Law:

(1) To prepare a balance sheet and a property list.

(2) A company makes a resolution at shareholders' general meeting to reduce its registered capital.

(3) A company shall inform its creditors within 10 days and publish an announcement in newspapers within 30 days after the approval of resolution of reducing registered capital.

(4) The creditors shall have the right to require a company to repay its debts or provide corresponding guarantees within 30 days after receiving the notice or within 45 days after the announcement if the creditors have not received the notice.

(5) When a company reduces its registered capital, it shall register the change with a company registration authority in accordance with the law.

Share Buy-Back

Under the Company Law, a company shall not purchase its own shares. Except for any following circumstances:

(1) reducing the registered capital;

(2) merging with other company that holds the shares of the Company;

(3) using the shares for employee stocks plan or equity incentives;

(4) with respect to shareholders voting against any resolution adopted at the shareholders' general meeting on the merger or division of our Company, the right to demand our Company to acquire the shares held by them;

(5) using the shares for the conversion of convertible corporate bonds issued by the listed company;

(6) as required for maintenance of the corporate value and shareholders' rights and interests of a listed company.

The purchase of shares of a company for reasons specified in the case of (1) to (2) above shall be subject to the resolution of the general meeting; the purchase of shares of a company for reasons specified in the case of (3), (5) and (6) above shall be subject to the resolution of the Board meeting attended by more than two-thirds of the directors in accordance with the provisions of the Articles of Association or the authorization from the general meeting.

Following the purchase of a company's shares by a company in accordance with the above provisions, such shares shall be canceled within 10 days from the date of buy-back in the case of item (1) above; such shares shall be transferred or canceled within six months in the case of items (2) and (4) above; the total numbers of share of our Company held by a company shall not exceed 10% of the total issued shares of a company, and shall be transferred or canceled within three years in the case of items (3), (5) and (6) above.

Transfer of Shares

Shares held by a shareholder may be transferred according to the law. Under the Company Law, a shareholder should effect a transfer of his shares on securities established exchange according to the law or by any other means as required by the State Council. Registered shares may be transferred by endorsement of shareholders or by other means stipulated by laws or administrative regulations. After the transfer, a company shall record the name and address of the transferee in the register of shareholders. No changes of registration in the share register provided in the foregoing requirement shall be effected during a period of 20 days prior to the convening of shareholder's general meeting or 5 days prior to the record date for a company's distribution of dividends. However, if any law provides otherwise for the registration of changes in the register of members of a listed company, such provisions shall prevail. The transfer of bearer share certificates shall become effective upon delivery of such share certificates to the transferee by the shareholder.

Under the Company Law, shares in the Company held by promoters shall not be transferred within one year after the date of establishment of a company. Shares issued by a company prior to the listed of shares shall not be transferred within one year from the date on which the shares of accompany are listing on a securities exchange. Directors, supervisors and senior management of a company shall declare to a company their shareholdings in a company and any changes of such shareholdings, and the shares transferred each year during their term of office shall not exceed 25% of the total shares they hold in a company. Shares of a company held by its directors, supervisors and senior management shall not be transferred within one year from the date of a company's listed on a securities exchange, nor within six months after their resignation from their positions with a company.

Shareholders

Under the Company Law and the Mandatory Provisions, the rights of a shareholder of ordinary shares of a company include:

(1) to receive dividends and other forms of distributions in proportion to their shareholdings;

(2) to attend or appoint a proxy to attend shareholders' general meetings and to exercise voting rights;

(3) to supervise and manage a company's business operations, and to present proposals or to raise inquiries;

(4) to transfer shares in accordance with laws, administrative regulations and the provisions of the Articles of Association;

(5) to obtain relevant information in accordance with the provisions of the Articles of Association, including:

1. the right to obtain the Articles of Association, subject to payment of costs;

2. the right to inspect and copy, subject to payment of a reasonable fee:

(1) all parts of the register of shareholders;

(2) personal particulars of each of a company's directors, supervisors, managers and other senior management, including:

(a) present and former names and aliases;

(b) principal address (residence);

(c) nationality;

(d) primary and all other part-time occupations and duties;

(e) identification document and its number.

(3) status of a company's share capital;

(4) reports showing the aggregate par value, quantity, highest and lowest price paid in respect of each class of shares repurchased by a company since the end of the last accounting year and the aggregate amount paid by a company for this purpose;

(5) minutes of shareholders' general meetings.

(6) in the event of the winding-up or liquidation of a company, to participate in the distribution of remaining property of a company in proportion to the number of shares held;

(7) other rights conferred by laws, administrative regulations and the Articles of Association.

The obligations of a shareholder of ordinary shares of a company include:

(1) to comply with the Articles of Association;

(2) to pay subscription money according to the number of shares subscribed and the method of subscription;

(3) not to abuse their shareholders' rights to damage the interests of a company or other shareholders; not to abuse the independent legal person status of a company and the limited liability of shareholders to damage the interests of the creditors of a company;

(4) other obligations conferred by laws, administrative regulations and the Articles of Association.

Shareholder's General Meetings

Under the Company Law, the shareholders' general meeting of a joint stock limited company is made up of all shareholders. The shareholders' general meeting is the organ of authority of a company, which exercises the following functions and powers:

(1) to decide on a company's business policies and investment plans;

(2) to elect and replace directors and supervisors who are not representatives of the employees and to decide on matters relating to the remuneration of directors and supervisors;

(3) to examine and approve reports of the board of directors;

(4) to examine and approve reports of the supervisory committee or supervisors;

(5) to examine and approve a company's annual financial budget and final accounts;

(6) to examine and approve a company's profit distribution plans and loss recovery plans;

(7) to resolve on the increase or reduction of a company's registered capital;

(8) to resolve on the issuance of corporate bonds;

(9) to resolve on the merger, division, dissolution, liquidation or change of corporate form of a company;

(10) to amend the a company's Articles of Association;

(11) other functions and powers specified in provision of the Articles of Association.

Under the Company Law, annual shareholders' general meetings are required to be held once every year. An extraordinary shareholders 'general meeting is required to be held within two months after the occurrence of any of the following circumstances:

(1) the number of directors is less than the number stipulated in the Company Law or less than two-thirds of the number specified in the Articles of Association;

(2) when the unrecovered losses of a company amount to one-third of the total paid-up share capital;

(3) shareholders individually or jointly holding 10% or more of the company's shares request;

(4) when deemed necessary by the Board;

(5) the Supervisory Committee proposes to convene the meeting;

(6) other circumstances as stipulated in the Articles of Association.

Shareholders' general meetings shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or not performing his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of directors shall preside over the meeting.

Where the board of directors is incapable of performing or is not performing its duties to convene the general meeting, the supervisory board shall convene and preside over shareholders' general meeting in a timely manner. If the supervisory board fails to convene and preside over shareholders' general meeting, shareholders individually or in aggregate holding 10% or more of the company's shares for 90 days or more consecutively may unilaterally convene and preside over shareholders' general meeting.

Notice of general meeting shall state the time and venue of and matters to be considered at the meeting and shall be given to all shareholders 20 days before the meeting. A notice of extraordinary general meeting shall be given to all shareholders 15 days prior to the meeting. For the issuance of bearer share certificates, the time and venue of and matters to be considered at the meeting shall be announced 30 days before the meeting.

Under the Company Law, a shareholder may entrust a proxy to attend a shareholders' general meeting. The proxy shall present a written power of attorney issued by the shareholder to a company and shall exercise his voting rights within the scope of authorization. There is no specific provision in the Company Law regarding the number of shareholders constituting a quorum in a shareholders 'general meeting.

Under the Company Law, shareholders present at a shareholders' general meeting have one vote for each share they hold, save that shares held by a company are not entitled to any voting rights.

The cumulative voting system may be adopted for the election of directors and supervisors at the shareholders' general meeting in accordance with the provisions of the Articles of Association or the resolutions of the shareholders' general meeting. Under the accumulative voting system, each share shall have the same number of voting rights as the number of directors or supervisors to be elected at the shareholders' general meeting, and shareholders may consolidate their voting rights when casting a vote.

Under the Company Law, the passing of any resolution requires affirmative votes of shareholders representing more than half of the voting rights represented by the shareholders who attend the shareholders' general meeting. Matters relating to merger, division or dissolution of a company, increase or reduction of registered capital, change of corporate form or amendments to the articles of association must be approved by more than two-thirds of the voting rights held by the shareholders present at the meeting.

According to the Mandatory Provisions, the increase or reduction of share capital, the issue of shares of any class, warrants or other similar securities and bonds, the division, merger, dissolution and liquidation of a company, the amendments to the articles of association and any other matters, which, as resolved by way of an ordinary resolution of the shareholders' general meeting, may have a material impact on the company and require adoption by way of a special resolution, must be approved through special resolutions by more than two-thirds of the voting rights held by shareholders present at the meeting.

The Mandatory Provisions require a special resolution to be passed at the shareholders' general meeting and a class meeting to be held for the consideration and approval of such resolution with regard to a variation or abrogation of the class rights of a class of shareholders. Shareholders of domestic shares and H shares are deemed to be different classes of shareholders for this purpose.

Directors

Under the Company Law, a joint stock limited company shall have a board of directors, which shall consist of five to nineteen members. The term of office of a director shall be stipulated in the Articles of Association, but each term of office shall not exceed three years. Directors may serve consecutive terms if re-elected.

Meetings of the board of directors shall be convened at least twice a year. All directors and supervisors shall be noticed 10 days before the meeting for every meeting. The Board exercises the following functions and powers:

(1) to convene shareholder's general meetings and report its work to the shareholder's general meetings;

(2) to implement the resolutions of the shareholder's general meeting;

(3) to decide on a company's business plans and investment plans;

(4) to formulate a company's annual financial budget and final accounts;

(5) to formulate a company's profit distribution plan and loss recovery plan;

(6) to formulate proposals for the increase or reduction of a company's registered capital and the issue of corporate bonds;

(7) to formulate plans for cake, division, dissolution or change of corporate form of a company;

(8) to decide on the internal management structure of a company;

(9) to decide on the appointment or dismissal of the manager of a company and their remuneration;

(10) To decide on the appointment or dismissal of the deputy manager and financial officer of a company based on the nomination of the manager and as well as remuneration;

(11) to formulate a company's basic management system;

(12) other functions and powers specified in the Articles of Association.

According to the Mandatory Provisions, the Board of Directors shall formulate proposals for any amendment to the Articles of Association. Board meetings shall be held only if more than half of the directors are present. If a director is unable to attend a board meeting, he may appoint another director by a power of attorney specifying the scope of the authorization for another director to attend the meeting on his behalf. If a resolution of the board of directors violates the laws, administrative regulations or the Articles of Association, and as a result of which the company suffers serious losses, the directors participating in the resolution shall be liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director may be exempt from such liability.

Under the Company Law, a person may not serve as a director of a company if he is:

(1) a person without capacity or with restricted capacity;

(2) a person who has been sentenced to criminal punishment due to corruption, bribery, infringement of property, misappropriation of property or destruction of the socialist market economic order, where less than five years have elapsed since the date of completion of the sentence; or a person who has been deprived of his political rights due to a crime, where less than five years have elapsed since the date of completion of the sentence;

(3) a person who was a director, factory manager or manager of a company or enterprise which has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the insolvency and liquidation of such company or enterprise;

(4) persons who were legal representatives of a company or enterprise which had its business license revoked due to violation of the law and had been closed down by order, and who were personally liable, where less than three years have elapsed since the date of the revocation of the business license of the company or enterprise; and

(5) persons who have a relatively large amount of debts due and outstanding.

The board of directors shall have one chairman, who shall be elected by more than half of all the directors. The chairman shall exercise the following functions and powers (including but not limited to):

(1) to preside over shareholders' general meetings and convene and preside over board meetings;

(2) to examine the implementation of resolutions of the Board;

(3) to sign the securities issued by a company;

(4) to exercise other powers conferred by the Board.

Under the Special Regulations and the Mandatory Provisions, directors, supervisors and senior management of the Company must, in the performance of their duties, abide by the principle of good faith, and shall not place themselves in a position where their own interests may conflict with their obligations.

Supervisors

Under the Company Law, a joint stock limited company shall have a supervisory committee composed of not less than three members. The supervisory committee shall comprise shareholder representatives and an appropriate proportion of the company's staff representatives, of which the proportion of staff representatives shall not be less than one-third and the specific proportion shall be stipulated in the Articles of Association. Employee representatives of the supervisory committee shall be democratically elected by the company's employees at the employee representative assembly, employee general meeting or otherwise. Directors or senior management may not act concurrently as supervisors.

The Supervisory Committee exercises the following powers:

(1) to examine the company's financial affairs;

(2) to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, administrative regulations, the Articles of Association or resolutions of shareholders' general meetings;

(3) to demand rectification by a director or senior management when the acts of such persons are harmful to the company's interest;

(4) to propose the convening of extraordinary general meetings, and to convene and preside over shareholders' general meetings when the Board fails to perform the duty of convening and presiding over shareholders' general meetings under the Company Law;

(5) to submit proposals to the shareholders' general meeting;

(6) to initiate legal proceedings against directors and senior management in accordance with the Company Law;

(7) other functions and powers specified in the Articles of Association.

Managers and Senior Management

Under the Company Law, a company shall have a manager who shall be appointed or removed by the board of directors. The manager is accountable to the board of directors and may exercise the following powers:

(1) to be in charge of the production, operation and management of the company and to organize the implementation of the resolutions of the board of directors;

(2) to organize the implementation of the company's annual business plans and investment plans;

(3) to formulate plans for the establishment of the company's internal management structure;

(4) to draft the company's basic management system;

(5) to formulate the basic rules and regulations of the company;

(6) to propose the appointment or dismissal of the company's deputy manager and financial controller;

(7) to appoint or dismiss management personnel other than those required to be appointed or dismissed by the board of directors; and

(8) to exercise other powers conferred by the Articles of Association and the Board.

According to the Company Law, senior management shall refer to the manager, deputy manager(s), financial controller, secretary of the board of directors and other personnel as stipulated in the Articles of Association of the company.

Under the Special Regulations, the Articles of Association of a company shall have binding effect on the company and its shareholders, directors, supervisors, managers and other senior management. Such persons shall be entitled to exercise their rights, propose arbitration or initiate legal proceedings according to the Articles of Association.

Finance and Accounting

Under the Company Law, a company shall establish its financial and accounting systems according to laws, administrative regulations and the regulations of the financial department of the State Council. At the end of each fiscal year, the Company shall prepare a financial and accounting reports which shall be audited by an accounting firm in accordance with the law. The financial and accounting reports shall be prepared in accordance with the laws, administrative regulations and the regulations of the financial department of the State Council.

A joint stock limited company shall make its financial and accounting reports available at the company for inspection by the shareholders 20 days before the convening of an annual general meeting of shareholders. A joint stock limited company issuing its shares in public must publish its financial and accounting reports.

When distributing each year's after-tax profits, the company shall set aside 10% of its profits into its statutory reserve fund. The company can no longer withdraw statutory reserve fund if it has accumulated to more than 50% of the registered capital. If the statutory reserve fund of the company is insufficient to make up for the losses of the previous years, the current year profits shall be used to make up for the losses before making allocations to the statutory reserve in accordance with the preceding paragraph. After the company has made an allocation to the statutory reserve fund from its after-tax profit, it may also make an allocation to the discretionary reserve fund from its after-tax profit upon a resolution of the general meeting or the shareholders' general meeting.

A joint stock limited company may distribute profits in proportion to the number of shares held by its shareholders, except for profit distributions that are not in proportion to the number of shares held in accordance with the provisions of the Articles of Association of the joint stock limited company.

The premium over the nominal value of the shares of a joint stock limited company from the issue of shares and other incomes required by the financial department of the State Council to be treated as the capital reserve fund shall be accounted for as the capital reserve fund of the company.

The reserve fund of the company shall be used to make up losses of the company, expand the production and operation of the company or increase the capital of the company. However, the capital reserve shall not be used to make up the company's losses. When the statutory reserve fund is converted into capital, the balance of the statutory reserve shall not be less than 25% of the registered capital before such conversion.

The company shall not keep accounts other than those provided by law.

Appointment and Dismissal of Accounting Firms

Pursuant to the Company Law, the engagement or dismissal of an accounting firm responsible for the company's auditing shall be determined by a shareholders' general meeting or the board of directors in accordance with the articles of association. The accounting firm should be allowed to make representations when the general meeting or the board of directors conduct a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidence, accounting books, financial and accounting reports and other accounting information to the engaged accounting firm without any refusal or withholding or falsification of information.

The Special Regulations require a company to engage an independent qualified accounting firm to audit the company's annual reports and to review and check other financial reports of the company. The accounting firm's term of office shall commence from the end of the shareholders' annual general meeting to the end of the next shareholders' annual general meeting.

Profit Distribution

Under the Company Law, a company shall not distribute profits before losses are covered and the statutory reserve fund is drawn. The Special Regulations require that any dividend and other distribution to be paid to holders of H Shares shall be declared and calculated in Renminbi and paid in foreign currency. Under the Mandatory Provisions, the payment of foreign currency to shareholders shall be made through a receiving agent.

Dissolution and Liquidation

According to the Company Law, a company shall be dissolved for the following reasons:

(1) the term of business stipulated in the Articles of Association has expired or other events of dissolution specified in the Articles of Association have occurred;

(2) the general meeting or the shareholders' general meeting resolves to dissolve the company;

(3) dissolution is necessary due to a merger or division of the company;

(4) the business license is revoked, or the business license is ordered to be closed or revoked in accordance with laws;

(5) where the company encounters serious difficulties in its operation and management and its continuance shall cause a significant loss in the interest of shareholders, and where this cannot be resolved through other means, shareholders who hold more than 10% of the total shareholders' voting rights of the company may present a petition to a people's court for the dissolution of the company with the support of the judgment.

Where the company is dissolved in accordance with sub-paragraph (1) above, it may carry on its existence by amending its articles of association, which must be approved by more than two-thirds of the voting rights held by the shareholders present at the shareholders' general meeting. Where the Company is dissolved pursuant to sub-paragraphs (1), (2), (4) or (5) above, a liquidation committee shall be established and the liquidation shall commence within 15 days after the occurrence of an event of dissolution. The liquidation committee of a joint stock limited company shall be composed of directors or the personnel determined by a shareholders' general meeting. If a liquidation committee is not established within the stipulated period to conduct liquidation, the creditors may apply to the people's court to appoint relevant personnel to form a liquidation committee to conduct liquidation. The people's court should accept such application and form a liquidation committee to conduct liquidation in a timely manner.

The liquidation committee shall exercise the following functions and powers during the liquidation period:

(1) to liquidate the company's property and respectively prepare balance sheet and list of property;

(2) to notify creditors by notice or public announcement;

(3) to deal with the outstanding business of the company involved in the liquidation;

(4) to pay all outstanding taxes and taxes arising in the course of liquidation;

(5) to liquidate claims and debts;

(6) to deal with the remaining property of the company after paying off debts;

(7) to participate in civil litigations on behalf of the company.

The remaining property of the company after the payment of liquidation expenses, employees' wages, social insurance expenses and statutory compensation, outstanding taxes and the company's debts, shall be distributed to shareholders in proportion to their shareholdings.

During the liquidation period, the company shall continue to exist but shall not carry out any business activities unrelated to the liquidation. The company's assets shall not be distributed to the shareholders before the liquidation in accordance with the preceding paragraph.

If the liquidation committee, having thoroughly examined the company's assets and having prepared a balance sheet and an inventory of assets, discovers that the company's assets are insufficient to pay its debts in full, it shall apply to the people's court for a declaration of insolvency. After the people's court has declared the company bankrupt, the liquidation committee shall hand over the affairs of the liquidation to the people's court.

Upon completion of the liquidation, the liquidation committee shall prepare a liquidation report to be submitted to the shareholders' general meeting or the people's court for confirmation, and submit to the company registration authority to apply for cancelation of the company's registration and to announce the termination of the company.

Members of the liquidation committee are required to discharge their duties honestly and in compliance with laws. Members of the liquidation committee shall be prohibited from abusing their authority in accepting bribes or other unlawful income and from misappropriating the company's properties. A member of the liquidation committee is liable to indemnify the company and its creditors in respect of any loss arising from his willful or material default.

Overseas listing

The shares of a company shall only be listed overseas after obtaining approval from the CSRC and the list must be arranged in accordance with procedures specified by the State Council. According to the Special Regulations, a company's plan to issue overseas listed foreign shares and domestic shares which has been approved by the CSRC may be implemented by the board of directors of a company by way of separate issues, within 15 months after approval is obtained from the CSRC.

Loss of Share Certificates

A shareholder may, in accordance with the public notice procedures set out in the PRC Civil Procedure Law, apply to a people's court if his share certificate(s) in registered form is either stolen, lost or destroyed, for a declaration that such certificate(s) will no longer be valid. After the people's court declared that such certificate(s) will no longer be valid, the shareholder may apply to the company for the issue of a replacement certificate(s).

The Mandatory Provisions provide for a separate procedure regarding the loss of share certificates of listed foreign shares or of H share certificates, details of which are set out in our Articles of Association.

Securities Laws and Regulations

In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC. The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating listing of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking research and analysis. On March 29, 1998, the State Council consolidated the above two departments and reformed the CSRC.

The Provisional Regulations Concerning the Issue and Trading of Shares (《股票發行與交易管理暫行條例》) promulgated by the State Council and effective on April 22, 1993 provide the application and approval procedures for listing of shares, trading in shares, the acquisition of listed companies, the deposit, settlement and transfer of listed shares, the disclosure of information with respect to a listed company, investigation and penalties and dispute arbitration.

The Regulations of the State Council Concerning the Domestic Listed Foreign Shares of Joint Stock Limited Companies (《國務院關於股份有限公司境內上市外資股的規定》), which were promulgated by the State Council and came into effect on December 25, 1995, mainly provide for the issue, subscription, trading and payment of dividends of domestic listed foreign shares and disclosure of information of joint stock limited companies with domestic listed foreign shares.

The Securities Law of the People's Republic of China (《中華人民共和國證券法》) (hereinafter referred to as the "PRC Securities Law"), which was amended by the Standing Committee of the NPC on December 28, 2019 and came into effect on March 1, 2020, provides a series of provisions regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities in the PRC, and comprehensively regulates activities in the PRC securities market. The PRC Securities Law provides that a domestic enterprise must comply with the relevant provisions of the State Council in issuing securities directly or indirectly outside the PRC or listing and trading its securities outside the PRC. Currently, the issue and trading of foreign issued shares are mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

The Guidelines for the Application for "Full Circulation" of Domestic Unlisted Shares of H Share Companies (《H股公司境內未上市股份申請"全流通"業務指引》) issued by the CSRC and came into effect on November 14, 2019 regulates the list and circulation (hereinafter referred to as "Full Circulation") of listed domestic shares of domestic stock companies (hereinafter referred to as "H share companies") listed on the Hong Kong Stock Exchange (including unlisted domestic shares held by domestic shareholders prior to overseas listing, listed domestic shares issued in China upon overseas listing and listed shares held by overseas shareholders). The application for "full circulation" by H share companies shall be submitted to the CSRC for approval pursuant to the administrative approval procedures for "overseas public share offering and listing (including additional issuance) of joint stock limited companies". When applying for overseas refinancing, H share companies may separately or concurrently apply for "full circulation". A domestic joint stock limited company whose shares are unlisted may simultaneously make an application for "full circulation" at the time of applying for an overseas list.

Arbitration and Enforcement of Arbitral Awards

Under the Arbitration Law of the People's Republic of China (《中華人民共和國仲裁法》) (hereinafter referred to as "Arbitration Law") amended by the Standing Committee of the NPC on September 1, 2017 and effective on January 1, 2018, the Arbitration Law is applicable to economic disputes involving foreign parties, and all parties have entered into a written agreement to refer the matter to an arbitration committee constituted in accordance with the Arbitration Law. An arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with relevant regulations under the Arbitration Law and the PRC Civil Procedure Law (《中國民事訴訟法》). Where both parties have agreed to settle disputes by means of arbitration, the people's court will refuse to take legal action brought by a party in the people's court.

The Mandatory Provisions require an arbitration clause to be included in the articles of association of an issuer. Pursuant to such clause, whenever a dispute or claim arises from any right or obligation provided in the do not accept articles of association, the Company Law or other relevant laws and administrative regulations concerning the affairs of the company between (i) a holder of overseas listed foreign shares and the company; (ii) a holder of overseas listed foreign shares and a holder of domestic shares; or (iii) a holder of overseas listed foreign shares and the company's directors, supervisors or other management personnel, such parties shall be required to refer such dispute or claim to arbitration at either the China International Economic and Trade Arbitration Commission ("CIETAC") or the Hong Kong International Arbitration Center ("HKIAC"). Disputes in respect of the definition of shareholder and disputes in relation to the company's shareholder registry need not be resolved by arbitration. If the party seeking arbitration elects to arbitrate the dispute or claim at the HKIAC, then either party may apply to have such arbitration conducted in Shenzhen in accordance with the securities arbitration rules of the HKIAC.

Under the Arbitration Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement according to the PRC Civil Procedure Law. A people's court may refuse to enforce an arbitral award made by an arbitration commission if there is any procedural irregularity (including irregularity in the composition of the arbitration committee or the making of an award on matters beyond the scope of the arbitration agreement or the jurisdiction of the arbitration commission). A party seeking to enforce an arbitral award of foreign arbitration commission against a party who or whose property is not within the PRC shall apply to a foreign court with jurisdiction over the case for recognition and enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the people's court in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC.

According to the Arrangement of the Supreme People's Court on Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的安排》) promulgated by the Supreme People's Court on January 24, 2000 and became effective on February 1, 2000, and the Supplementary Arrangement of the Supreme People's Court on Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的補充安排》) promulgated by the Supreme People's Court and became effective on November 26, 2020, awards made by PRC arbitral authorities can be enforced in Hong Kong, and Hong Kong arbitration awards are also enforceable in the PRC.

Summary of Material Differences between Hong Kong and the PRC Company Law

The Hong Kong law applicable to a company incorporated in Hong Kong is based on the Hong Kong Companies Ordinance and is supplemented by common law and the rules of equity that apply to Hong Kong. As a joint stock limited company established in the PRC that is seeking an list of shares on the Stock Exchange, we are subject to the Company Law and all other rules and regulations promulgated pursuant to the Company Law.

Set out below is a summary of certain material differences between Hong Kong Company Law applicable to a company incorporated in Hong Kong and the Company Law applicable to a joint stock limited company incorporated and existing under the Company Law. This summary is, however, not intended to be an exhaustive comparison.

Corporate Existence

Under the Hong Kong Companies Ordinance, a company with share capital must be incorporated by the Registrar of Companies in Hong Kong, which will grant a registration certificate to the company upon its incorporation, and the company will acquire an independent corporate existence. A company may be incorporated as a public company or a private company.

Under the Company Law, a joint stock limited company may be incorporated by promotion or public subscription. The minimum registered capital of a joint stock limited company is not required, unless otherwise provided by laws, administrative regulations and the decisions of the State Council, for the paid-up registered capital and the minimum registered capital of a joint stock limited company.

The Hong Kong Company Law does not prescribe any minimum registered capital requirements for a Hong Kong company.

Share Capital

Under Hong Kong law, the concept of the nominal value of a share capital in a Hong Kong company has been abolished, and the companies have greater flexibility to alter its share capital by:

(1) increasing its share capital; (2) capitalizing its profits; (3) allotting and issuing bonus shares with or without increasing its share capital; (4) increasing or decreasing the number of shares; and (5) canceling its shares. Hence, the directors of a Hong Kong company may, with the prior approval of the shareholders, if required, cause the company to issue new shares. The Company Law does not provide for authorized share capital.

Under the PRC Securities Law, an application for listing shall comply with the listing rules of the stock exchange. Hong Kong law does not prescribe any minimum capital requirements for companies incorporated in Hong Kong.

Under the Company Law, shareholders may provide capital contribution in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws and administrative regulations). For non-monetary assets to be used as capital contributions, appraisals and assets verification must be carried out to ensure no overvaluation or under-valuation of the assets. There is no such restriction on a Hong Kong company under Hong Kong law.

Restrictions on Shareholding and Transfer of Shares

Under PRC law, the Domestic Shares, which are denominated and subscribed for in Renminbi, can only be subscribed for and traded by PRC investors, designated qualified overseas institutional investors or qualified overseas strategic investors. Overseas listed shares, which are denominated in Renminbi and subscribed for in a foreign currency, may only be subscribed for, and traded by, investors from countries and regions outside the PRC or other qualified PRC institutional investors. If the H Shares are eligible securities under the Southbound Trading Link, they are also available for subscription and trading by domestic investors in the PRC pursuant to the rules and restrictions of Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect.

Under the Company Law, a promoter of a joint stock limited company is not allowed to transfer the shares it holds for a period of one year after the date of establishment of the company. Shares in a joint stock limited company held by its directors, supervisors and senior management transferred each year during their term of office shall not exceed 25% of the total shares they held in the company, and the shares they held in the company cannot be transferred within one year from the listing of the shares, and also cannot be transferred within half a year after the said personnel has left office. There are no such restrictions on shareholdings and transfers of shares under Hong Kong law.

Financial Assistance for Acquisition of Shares

Although the Company Law does not prohibit or restrict a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares, the Mandatory Provisions contain certain restrictions on a company and its subsidiaries on providing such financial assistance similar to those under Hong Kong Company Law.

Notice of Shareholders' General Meeting

Under the Company Law, notice of a shareholders' general meeting must be given not less than 20 days before the meeting, while notice of an extraordinary general meeting must be given not less than 15 days before the meeting. If a company has bearer shares, a public announcement of a shareholders' general meeting must be made at least 30 days prior to the meeting.

For a limited company incorporated in Hong Kong, the minimum period of notice of a shareholders' general meeting is 14 days. In addition, where a meeting involves consideration of a resolution requiring special notice, the company must also give its shareholders notice of the resolution 14 days before the meeting. The notice period for an annual general meeting is 21 days.

Quorum for Shareholders' General Meetings

The Company Law does not specify any quorum requirement for a shareholders' general meeting. Under Hong Kong law, the quorum for a shareholders' general meeting is two members unless the articles of association of the company otherwise provide. For a single member company, one member is a quorum.

Voting at Shareholders' General Meetings

Under the Company Law, the passing of any resolution requires more than half of the votes held by the shareholders present in person or by proxy. Amendments to the articles of association, change of corporate form, increase or decrease of registered capital and merger, division or dissolution must be approved by shareholders or proxies representing more than two-thirds of the voting rights being present in shareholders' general meeting.

Under Hong Kong law, (1) an ordinary resolution is passed by a simple majority of votes cast by members present in person or by proxy at a shareholders' general meeting and (2) a special resolution is passed by a majority of not less than three-fourths of votes cast by members present in person or by proxy at a shareholders' general meeting.

Variation of Class Rights

The Company Law has no special provision relating to variation of class rights. However, the Company Law states that the State Council can promulgate regulations relating to other kinds of shares. The Mandatory Provisions contain provisions relating to the circumstances which are deemed to be variations of class rights and the approval procedures required to be followed in respect thereof.

Under the Hong Kong Companies Ordinance, no rights attached to any class of shares can be varied except (1) with the approval of a special resolution of the holders of the relevant class at a separate meeting; (2) with the consent in writing of the holders of at least three-fourths of the total voting rights of holders of shares in the class in question; (3) by agreement of all the members of a Hong Kong company or (4) if there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions.

Directors, Senior Management and Supervisors

The Company Law, unlike Hong Kong Companies Ordinance, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on directors' authority in making major dispositions, restrictions on companies providing certain benefits to directors and guarantees in respect of directors' liability and prohibitions against compensation for loss of office without shareholders' approval. The Mandatory Provisions, however, contain certain restrictions on major disposals and specify the circumstances under which a director may receive compensation for loss of office.

Supervisory Committee

Under the Company Law, a joint stock limited company's directors and senior management are subject to the supervision of a supervisory committee. There is no mandatory requirement for the establishment of a supervisory committee for a company incorporated in Hong Kong. The Mandatory Provisions provide that each supervisor owes a duty, in the exercise of his powers, to act in good faith and honestly in what he considers to be in the best interests of the company and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Derivative Action by Minority Shareholders

Under Hong Kong law, a shareholder may, with the leave of the court, bring a derivative action on behalf of a company against our directors for any misconduct.

Under the Company Law, if the directors and senior management of a joint stock limited company violate laws, administrative regulations or its articles of association, resulting in losses to the company, shareholders individually or jointly holding over 1% of the shares in the company for more than 180 consecutive days may request in writing the supervisory committee to initiate proceedings in the people's court. If the supervisors violate the relevant provisions of the Company Law, the above shareholders may request in writing the board of directors to initiate litigation at the people's court. Upon receipt of such written request from the shareholders, if the supervisory committee or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days upon receipt of the request, or if under urgent situations, failure of initiating immediate proceeding may cause irremediable damages to the company, the above said shareholders shall, for the benefit of the company's interests, have the right to initiate proceedings directly to the people's court in their own name.

The Mandatory Provisions provide further remedies against the directors, supervisors and senior management who breach their duties to the company.

Protection of Minorities

Under Hong Kong law, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to court to either wind up the company or make an appropriate order regulating the affairs of the company. In addition, on the application of a specified number of members, the Financial Secretary of Hong Kong may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong.

The Company Law provides that any shareholders holding 10% or more of the voting rights of all issued shares of a company may request a People's Court to dissolve the company to the extent that the operation or management of the company experiences any serious difficulties and the company continues to suffer serious losses and no other alternatives can resolve.

Financial Disclosure

Under the Company Law, a joint stock limited company is required to make available at the company for inspection by shareholders its financial report 20 days before its shareholders' general meeting. In addition, a joint stock limited company of which the listed Shares are offered must publish its financial report. The Hong Kong Companies Ordinance requires a company incorporated in Hong Kong to send to every shareholder a copy of its financial report, auditors' report and directors' report, which are to be presented before the company in its annual general meeting, not less than 21 days before such meeting.

Under the Company Law, a company shall at the end of each accounting year prepare a financial report which shall be audited by the accounting firm in accordance with the laws. The Mandatory Provisions require that a company should, in addition to preparing financial statements according to the Accounting Standards for Business Enterprises and the laws, have its financial statements prepared and audited in accordance with international or Hong Kong accounting standards and its financial statements must also contain a statement of the financial effect of the material differences (if any) from the financial statements prepared in accordance with the Accounting Standards for Business Enterprises.

The Special Regulations require that there should not be any inconsistency between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously.

Information on Directors and Shareholders

The Company Law gives shareholders the right to inspect the articles of association, minutes of the shareholders' general meetings and financial and accounting reports. Under the articles of association, shareholders have the right to inspect and copy (at reasonable fee) certain information on shareholders and on directors similar to that available to shareholders of Hong Kong companies under the Hong Kong Companies Ordinance.

Receiving Agents

Under the Company Law and Hong Kong law, dividends once declared are debts payable to shareholders. Under Hong Kong law, the limitation period for an action to demand repayment of a debt is six years, whereas the PRC Civil Code (《中華人民共和國民法典》) provides that the limitation period for an action to be taken is three years.

The Mandatory Provisions require that the relevant company shall appoint a receiving agent for shareholders of overseas listed foreign shares. The receiving agent shall, on behalf of the shareholder, receive on behalf of holders of shares dividends distributed and other amounts payable by the company in respect of the overseas listed foreign shares.

Corporate Reorganization

Corporate reorganization involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of voluntary winding up to another company pursuant to the Hong Kong Companies Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members, which requires the sanction of the court. In addition, subject to shareholders' approval, a wholly owned subsidiary within the Group may also be horizontally or vertically consolidated under the Hong Kong Companies Ordinance.

Under the Company Law, the merger, demerger, dissolution or change to the forms of a joint stock limited company has to be approved by shareholders in shareholders' general meeting.

Statutory Deductions

Under the Company Law, a company shall draw 10% of the profits as its statutory reserve fund before it distributes any profits after taxation. When the aggregate amount of the company's statutory reserve fund reaches 50% of the company's registered capital, the company may no longer make allocations from the statutory reserve fund. After a company has made an allocation to its statutory reserve fund from its after-tax profit, it may make an allocation to its discretionary reserve fund from its after-tax profit upon a resolution approved at the shareholders' general meeting. There are no such requirements under Hong Kong law.

Dispute Arbitration

Under Hong Kong law, disputes between shareholders and a company or its directors, managers or other senior management may be resolved through the courts. The Mandatory Provisions provide that disputes between a shareholder of H shares and the company, a shareholder of H shares and directors, supervisors, managers and other senior management of the company or a shareholder of H shares and a shareholder of domestic shares, arising from the articles of association, other relevant laws and administrative regulations can be referred to arbitration at either the HKIAC or the CIETAC.

Remedies of Company

Under the Company Law, if a director, supervisor or senior management in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or senior management should be responsible to the company for such damages.

The Hong Kong Listing Rules require listing companies' articles of association to provide for remedies of the company (including rescission of the relevant contract and recovery of profits from a director, supervisor or senior management).

Dividend

The company has the power in certain circumstances to withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder.

Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of dividends) is six years, whereas under PRC laws, the relevant limitation period is three years. The company shall not exercise its powers to forfeit any unclaimed dividend after the expiry of the applicable limitation period.

Fiduciary Duties

In Hong Kong, directors owe a fiduciary duty to the company, including a duty not to conflict with the company's interests. In addition, the Hong Kong Companies Ordinance has taken into account the statutory duty of care of directors.

Under the Special Regulations, directors, supervisors, managers and other senior management personnel of a company have the duty of loyalty and diligence to the company. Such persons shall abide by the articles of association of the company, perform their duties faithfully, safeguard the interests of the company, and shall not use their position and authority in the company for their personal gain.

Closure of Register of Members

The Hong Kong Companies Ordinance requires that the register of shareholders of a company must not generally be closed for the registration of transfers of shares for more than 30 days (extendable to 60 days in certain circumstances) in a year, whereas, as required by the Company Law and the Mandatory Provisions, share transfers shall not be registered within 30 days before the date of a shareholders' general meeting or within five days before the base date set for the purpose of distribution of dividends.

This appendix contains a summary of the Articles of Association. As the information set out below is in summary form, it does not contain all of the information that may be important to potential investors.

This appendix sets out the summary of the principal provisions of the Articles of Association [and its subsequent amendments] which will be effective on the date of the [**REDACTED**] of H Shares on the Hong Kong Stock Exchange. The principal objective of this appendix is to provide potential investors with an overview of the Articles of Association, hence it does not contain all information that may be important to potential investors. As stated in "[Appendix VII – Documents Delivered to the Registrar of Companies in Hong Kong and Available on Display]", the full Chinese text of the Articles of Association is available on display.

SHARES

Issuance of shares

The shares of the Company shall take the form of share certificates. The Company shall have ordinary shares at all times. Ordinary shares issued by the Company include both domestic and foreign shares shares.

The Company shall issue shares in an open, fair and just manner, and each share of the same class shall rank pari passu with each other.

Shares of the same class in the same issue shall be listed under the same conditions and at the same price; any entity or individual shall pay the same price for each share subscribed.

Subject to the record of the securities regulatory authority of the State Council, the Company may issue shares to domestic and foreign investors.

After the Company's overseas issuing shares and listing, subject to the record of the securities regulatory authorities of the State Council, shareholders holding unlisted shares of the Company may transfer all or part of their shares to overseas investors for listing and trading on overseas stock exchanges.

The Company's plan to issue overseas listing foreign shares and domestic shares, the Board of the Company may make implementation arrangements for separate issuance. If the Company separately issues overseas listing foreign shares and domestic shares within the total number of shares specified in the issuance plan, the shares shall be fully subscribed for at one time; if the shares cannot be fully subscribed for at one time under special circumstances, the shares may be issued in several tranches subject to the approval of the securities regulatory authority of the State Council.

Increase/Decrease of Shares

The Company may, based on its operation and development needs and in accordance with laws and administrative regulations, increase its registered capital in the following ways in accordance with the provisions of the Articles of Association:

(1) Public offering of shares;

(2) Non-public offering of shares;

(3) distributing bonus shares to its existing shareholders;

(4) conversion of capital reserve into share capital;

(5) other means approved by the PRC laws and regulations, the securities regulatory authorities of the place where the shares of the Company are listed and the Hong Kong Stock Exchange.

After the Company's increase of share capital by means of the issuance of new shares has been approved in accordance with the provisions of the Articles of Association, it shall be made in accordance with the procedures set out in the relevant laws and administrative regulations of the PRC and the regulatory rules in the place where the Company's shares are listed.

According to the Articles of Association, the Company may reduce its registered capital. The Company shall reduce its registered capital in accordance with the Company Law, other relevant regulations and the procedures stipulated in the Articles of Association.

Share Repurchase

The Company may, in accordance with the procedures set out in the Articles of Association and with the approval of the relevant governing authority of the State, repurchase its outstanding shares under the following circumstances:

(1) The Company decreases its registered capital;

(2) merging with another company that holds shares in the Company;

(3) using the shares for employee stock ownership plan or equity incentives;

(4) acquiring shares held by shareholders (upon their request) who vote against any resolution proposed in any Shareholders' General Meeting on the merger or division of the Company;

(5) using the shares for conversion of corporate bonds issued by the listed company that are convertible into shares;

(6) it is necessary for the listed company to safeguard its corporate value and shareholders' interests;

(7) other circumstances stipulated by the laws and regulations of the PRC, the securities regulatory authorities of the place where the shares of the Company are listing and the Hong Kong Stock Exchange.

Where the Company acquires its own shares under the circumstances set out in items (1) and (2) above, it shall be subject to the resolution of the Shareholders' General Meeting; where the Company acquires its own shares under the circumstances set out in items (3), (5) and (6) above, it shall be subject to the resolution of the Board meeting attended by more than two-thirds of the Directors.

After the Company has bought back its own shares, such shares shall be canceled within ten days from the date of buy-back in the case of item (1); such shares shall be transferred or canceled within six months in the case of items (2) and (4); such shares shall not exceed 10% of the total issued shares of the Company in the case of items (3), (5) and (6), and shall be transferred or canceled within three years.

A company may purchase its shares in the manner of centralized public trading, or other methods approved by the PRC laws and regulations, the securities regulatory authorities of the place where the Company's shares are listing and the Hong Kong Stock Exchange.

Where the Company purchases its shares under the circumstance set forth in subparagraph (3), (5) or (6), paragraph 1 of Article 24 of these Bylaws, it shall conduct trading in the manner of centralized public trading.

Transfer of Shares

Unless otherwise provided by the PRC laws and regulations, the securities regulatory authorities of the place where the Company's shares are listing and the Hong Kong Stock Exchange, fully-paid shares of the Company are free from any restriction on the right of transfer and are freely transferable without any lien attached. Transfer of overseas listing foreign shares listed in Hong Kong shall be made to the local share registrar in Hong Kong appointed by the Company.

The Company shall not accept its own shares as the subject matter of a pledge.

Shares of the Company held by the promoters shall not be transferred within one year from the date of establishment of the Company. Directors, Supervisors and Senior Management of the Company shall report to the Company their shareholdings in the Company and changes thereof and shall not transfer more than 25% of the total number of shares of the Company held by them each year during their term of office. The aforementioned personnel shall not transfer the shares of the Company held by them within half a year after they leave the Company.

Any gains from the sale of shares of the Company by any Director, Supervisor, Senior Management or shareholders holding more than 5% of the shares of the Company, sell shares or other securities with an equity nature within six months after buying the same or buy shares or securities within six months after selling the same, the earnings arising therefrom shall belong to the Company and the Company's Board shall recover such earnings. However, the restriction shall not be applicable to any sale of shares by a securities company holding 5% or above of the Company's shares as a result of its purchase and underwriting of the untaken shares after offering and other circumstances stipulated by the CSRC.

SHAREHOLDERS AND SHAREHOLDERS' GENERAL MEETINGS

Share Register

The Company shall create a register of shareholders based on the documents provided by the securities depository institution, and the register of shareholders is sufficient evidence of shareholders' holding of shares of the Company. The register of shareholders shall be kept at the company and shareholders shall have the right to inspect it. The Company shall manage the register of shareholders in accordance with the Company Law and other laws and administrative regulations and the requirements of the relevant regulatory bodies.

When the Company convenes the general meeting, pays dividends, goes into liquidation or is involved in other actions that require the confirmation of shareholders' identity, the Board or the convenor of the general meeting shall fix a date as the equity registration date, upon expiration of which the shareholders whose names appear on the register of members shall be the shareholders entitled to relevant rights and interests.

Rights and Obligations of Shareholders

A shareholder of the Company is a person who lawfully holds shares of the Company and whose name is entered in the register of shareholders. A shareholder shall enjoy rights and assume obligations according to the class and number of shares held by him. Shareholders holding the same class of shares shall enjoy the same rights and assume the same obligations.

The ordinary shareholders of the Company shall enjoy the following rights:

(1) to receive dividends and other distributions in proportion to the number of shares held;

(2) to request, convene, preside over, attend or appoint a proxy to attend Shareholders' General Meetings and to exercise the corresponding voting rights in accordance with the laws;

(3) to supervise the Company's operations, and to put forward proposals or raise inquiries;

(4) the right to transfer, give or pledge shares held by them in accordance with laws, administrative regulations and the Articles of Association;

(5) to obtain relevant information in accordance with the Articles of Association, including:

1. the right to obtain the Articles of Association upon payment of the cost thereof;

2. The right to inspect for free and copy upon payment of a reasonable fee:

(1) all parts of the register of shareholders;

(2) personal particulars of each of the Company's Directors, Supervisors, General managers and other Senior Management officers, including:

(a) present and former names and aliases;

(b) principal address (residence);

(c) nationality;

(d) primary and all other part-time occupations and duties;

(e) identification document and its number;

(3) status of the Company's share capital;

(4) the latest audited financial statements of the Company and the reports of the Board, auditors and the Supervisory Committee;

(5) reports showing the aggregate par value, quantity, highest and lowest price paid in respect of each class of shares repurchased by the Company since the end of the last accounting year and the aggregate amount paid by the Company for this purpose;

(6) a copy of the latest annual inspection report filed with the competent administration for industry and commerce or other competent authorities;

(7) minutes of Shareholders' General Meetings (for shareholders' review only) and special resolutions of the Company.

The Company shall make the documents mentioned in the preceding paragraph (2) and other applicable documents available at the Company's Hong Kong address in accordance with the requirements of the Hong Kong Listing Rules for inspection by the public and holders of overseas listing shares free of charge (except for the minutes of Shareholders' General Meetings which are available for inspection by shareholders only).

The Company may refuse to provide any of the information it has inspected and photocopied that involves commercial secrets and inside information of the Company as well as personal privacy of relevant personnel.

(6) in the event of the termination or liquidation of the Company, to participate in the distribution of remaining assets of the Company in accordance with the number of shares held;

(7) to request the Company to purchase the shares held by shareholders who vote against any resolution proposed in any Shareholders' General Meeting on the merger or division of the Company;

(8) Shareholders individually or jointly holding more than 3% of the Company's shares shall have the right to propose extraordinary resolutions in writing to the Board ten days prior to the convening of the Shareholders' General Meeting;

(9) other rights conferred by laws, administrative regulations, departmental rules or the Articles of Association.

The shareholders the ordinary shares of the Company shall assume the following obligations:

(1) to abide by laws, administrative regulations and the Articles of Association;

(2) to pay subscription monies according to the number of shares subscribed and the method of subscription;

(3) not to withdraw their shares unless required by laws and administrative regulations;

(4) not to abuse their shareholders' rights to damage the interests of the Company or other shareholders; not to abuse the independent legal person status of the Company and the limited liability of shareholders to damage the interests of the creditors of the Company; where a shareholder of the Company abuses his/her shareholder's rights and causes losses to the Company or other shareholders, he/she shall be liable for compensation in accordance with the law; where a shareholder of the Company

abuses the independent legal person status of the Company and the limited liability of shareholders to evade repayment of debts and seriously damage the interests of the creditors of the Company, he/she shall be jointly and severally liable for the debts of the Company;

(5) other obligations imposed by laws, administrative regulations and the Articles of Association.

Shareholders are not liable to make any further contribution to the share capital other than as agreed by subscribers of relevant shares on subscription unless otherwise provided.

Shareholders' General Meetings

The Shareholders' General Meeting is the organ of authority of the Company and shall exercise the following functions and powers in accordance with laws:

(1) to decide on the Company's business policies and investment plans;

(2) to elect and replace Directors, and Supervisors who are not representatives of the employees and to decide on matters relating to the remuneration of Directors and Supervisors;

(3) to examine and approve reports of the Board of Directors;

(4) to examine and approve reports of the Supervisory Committee;

(5) to examine and approve the Company's annual financial budget and final accounts;

(6) to examine and approve the Company's profit distribution plans and loss recovery plans;

(7) to resolve on the increase or reduction of the Company's registered capital;

(8) to resolve on the issue of bonds, issue of shares of any class, warrants and other similar securities and listing of the Company;

(9) to resolve on the merger, division, dissolution, liquidation or change of corporate form of the Company;

(10) to amend the Articles of Association;

(11) to resolve on the appointment, dismissal or non-reappointment of the accounting firm of the Company;

(12) to examine and approve guarantees which shall be approved by the Shareholders' General Meeting;

(13) to consider and approve matters relating to the Company's purchase or disposal of material asset guarantees with an amount exceeding 30% of the total assets of the Company within one year;

(14) Deliberating and approving matters concerning the changes of uses of the funds raised.

(15) to consider share incentive plans and employee stock option plans;

(16) to consider other matters required by the laws, administrative regulations, the securities regulatory authorities of the place where the Company's shares are listing or the Articles of Association to be decided by the Shareholders' General Meeting;

The above matters within the terms of reference of the general meeting shall be considered and decided by the general meeting. The above-mentioned powers of general meeting shall not be exercised by the Board or other institutions or individuals by way of authorization. In addition to the above matters, the general meeting may authorize or entrust the Board and/or its authorized persons to handle the matters authorized or entrusted by it without violating the laws and regulations and the mandatory provisions of the relevant laws, regulations and regulatory rules of the place where the Company's shares are listing, and the delegation of authority shall be clear and specific and shall be made in writing, but shall not delegate to the Board of Directors powers and functions that are legally exercised by the general meeting of shareholders.

Any external guarantee of the Company shall be considered and approved by the Board. Any guarantee provided by the Company to its shareholders or de facto controllers shall be subject to the resolution of the Shareholders' General Meeting.

Under the following circumstances, the external guarantees of the Company must be deliberated and adopted at the shareholders' meeting:

(1) Guarantees provided after the total amount of external guarantees provided by the Company and its controlled subsidiary companies exceeds 50% of the Company's audited net assets of the last period;

(2) Guarantees provided after the total amount of external guarantees provided by the Company exceeds 30% of the Company's audited net assets of the last period;

(3) Guarantees provided by the Company within one year exceed 30% of the Company's audited total assets of the last period;

(4) Guarantees provided for a party whose liability-asset ratio exceeds 70%;

(5) A single guarantee which exceeds 10% of the Company's audited net assets of the last period;

(6) Guarantees provided for shareholders, the actual controller, and the affiliates thereof.

Except in exceptional circumstances such as a crisis, the Company will not enter into a contract with a person other than a director, general manager or other senior manager to whom the management of the whole or significant part of the business of the Company is entrusted, except with the approval of a special resolution of the general meeting.

The Shareholders' General Meetings are divided into annual Shareholders' General Meetings and extraordinary Shareholders' General Meetings. The annual Shareholders' General Meeting shall be held once every year within six months after the end of the previous accounting year.

Extraordinary Shareholders' General Meetings shall be convened when necessary. The Board shall convene an extraordinary Shareholders' General Meeting within two months from the date of occurrence of any of the following circumstances:

(1) the number of Directors is less than the number stipulated in the Company Law or less than two-thirds of the number specified in the Articles of Association;

(2) when the unrecovered losses of the Company amount to one-third of the total amount of its paid-up share capital;

(3) shareholders individually or jointly holding more than 10% of the Company's shares request in writing;

(4) when deemed necessary by the Board or as proposed by the Supervisory Committee;

(5) when proposed by more than two independent non-executive Directors;

(6) other circumstances stipulated by the laws and regulations of the PRC, the securities regulatory authorities of the place where the shares of the Company are listed and the Hong Kong Stock Exchange.

Convening of Shareholders' General Meetings

Shareholders' General Meetings shall be convened by the Board in accordance with laws.

Shareholders who request to convene an extraordinary Shareholders' General Meeting or class Shareholders' General Meeting shall follow the following procedures:

(1) Shareholders individually or jointly holding more than 10% of the shares carrying the right to vote at the meeting sought to be held may sign one or more written requests of identical form and substance requesting the Board to convene an extraordinary Shareholders' General Meeting or a class meeting and stating the subject of the meeting. The Board shall convene an extraordinary Shareholders' General Meeting or a class Shareholders' General Meeting as soon as possible upon receipt of the aforesaid written request. The aforesaid number of shares held shall be calculated as at the date of the written request.

(2) If the board of directors agrees to hold the meeting, the board of directors shall issue a notice of holding a shareholder's meeting within five days after a resolution is made at a meeting of the board of directors, but any modification to the original request in the notice shall be subject to the consent of the relevant shareholder or shareholders.

(3) If the board of directors disagrees to hold the meeting or no feedback is provided within 10 days after the request is received, the shareholder holding or shareholders aggregately holding 10% or more of the shares of the Company shall have the right to propose the holding of a special shareholders' meeting to the board of supervisors, but shall request it in writing.

(4) If the board of supervisors agrees to hold the meeting, it shall issue a notice of holding a shareholder's meeting within five days after receiving the request, but any modification to the original request in the notice shall be subject to the consent of the relevant shareholder or shareholders.

(5) If the board of supervisors fails to issue a notice of holding a shareholders' meeting within the prescribed time limit, it shall be deemed that the board of supervisors fails to convene and preside over the shareholders' meeting, and a shareholding holding or shareholders aggregately holding 10% or more of the shares of the Company for 90 consecutive days may convene and preside over the meeting on its or their own initiative.

Proposals at Shareholders' General Meetings

When a company convenes a Shareholders' General Meeting, shareholders individually or jointly holding more than 3% of a company's shares may submit ad hoc proposals in writing to the convener 10 days before the Shareholders' General Meeting is convened. The convener shall issue a supplementary notice of the Shareholders' General Meeting to other shareholders within two days after receipt of the proposal, and include the matters in the proposal which are within the scope of duties of the Shareholders' General Meeting into the agenda of the meeting and submit it to the Shareholders' General Meeting for consideration.

Except for the circumstances specified above, the convener shall not amend the proposals set out in the notice of the Shareholders' General Meeting or add new proposals after the issuance of the notice of the Shareholders' General Meeting.

Proposals not set out in the notice of the Shareholders' General Meeting or not complying with the Articles of Association shall not be voted on or resolved at the Shareholders' General Meeting.

Proposals of the Shareholders' General Meeting shall meet the following conditions:

(1) the content does not conflict with the laws, regulations and the Articles of Association, and is within the scope of business of the Company and the terms of reference of the Shareholders' General Meeting;

(2) it shall have definite topics to discuss and specific matters to resolve;

(3) it shall be submitted to the Board in writing.

Notice of Shareholders' General Meeting

When the Company is to hold an annual Shareholders' General Meeting, it shall issue a written notice 20 days (excluding the date of the notice and the meeting) prior to the meeting informing all the registered shareholders of the matters to be considered at the meeting as well as the date and place of the meeting by way of an announcement. Notice of an extraordinary Shareholders' General Meeting shall be given by way of an announcement to all shareholders whose names appear on the register of shareholders 15 days before the meeting (excluding the date of the notice and the meeting).

An extraordinary Shareholders' General Meeting shall not decide on matters not stated in the notice.

The notice of a Shareholders' General Meeting shall be made in writing and include the following:

(1) be made in writing;

(2) the time, place and date of the meeting;

(3) The matters and proposals submitted to the meeting for deliberation;

(4) provide such information and explanation as are necessary for the shareholders to exercise an informed judgment on the proposals before them. This principle includes (but not limited to), where a proposal is made to amalgamate the Company with another, to repurchase shares, to reorganize the share capital, or to restructure the Company in any other way, the terms of the proposed transaction must be provided in detail together with copies of the proposed agreement, if any, and the cause and effect of such proposal must be properly explained;

(5) contain a disclosure of the nature and extent, if any, of the material interests of any Director, Supervisor, general manager or other Senior Management in the proposed transaction;

(6) contain the full text of any special resolution proposed to be passed at the meeting;

(7) contain conspicuously a statement that a shareholder entitled to attend and vote is entitled to appoint one or more proxies to attend and vote on his behalf and that a proxy need not be a shareholder of the Company;

(8) specify the time and place for lodging proxy forms for voting at the meeting;

(9) contain the registration date of shareholders entitled to attend the General Meeting;

(10) contain the name and telephone number of the permanent contact person of the meeting;

(11) Voting time and voting procedures by online or other means;

(12) other matters stipulated by laws, administrative regulations and regulatory documents.

Convening of Shareholders' General Meetings

Any shareholder entitled to attend and vote at a Shareholders' General Meeting shall be entitled to appoint one or more persons (whether a shareholder or not) as his proxy to attend and vote on his behalf. A proxy so appointed shall be entitled to exercise the following rights in accordance with the authorization from that shareholder:

(1) have the same right as the shareholder to speak at the Shareholders' General Meeting;

(2) have authority to demand or join in demanding a poll;

(3) Unless otherwise required by the laws and regulations of the PRC, the requirements of the securities regulatory authorities of the place where the shares of the Company are listing and the requirements of the Hong Kong Stock Exchange, exercise the right to vote by hand or on a poll, but when more than one proxy is appointed, the proxies may only vote on a poll.

The instrument appointing a proxy shall be in writing under the hand of the principal or his attorney duly authorized in writing, or if the principal is a legal person either under seal or under the hand of a Director or attorney duly authorized.

The instrument appointing a voting proxy shall be placed at the domicile of the Company or at such other place as specified in the notice of meeting at least 24 hours prior to the meeting at which the proxy is authorized to vote or 24 hours prior to the specified time of the voting. If the proxy form is signed by a person authorized by the principal, the power of attorney or other authorization documents shall be notarized. The notarized power of attorney or other authorization documents shall, together with the instrument appointing the voting proxy, be deposited at the Company's domicile or at such other place as specified in the notice of the meeting.

If the principal is a legal person, its legal representative or such person as is authorized by resolution of its Board of Directors or other governing body to act as its representative may attend at the Shareholders' General Meeting of the Company, and if such corporate member has appointed a proxy to attend any meeting, such corporate member shall be deemed to be present in person. A corporate shareholder may sign a voting proxy by a person duly authorized by him.

Such a form shall contain a statement that in the absence of instructions from the shareholder, the proxy may vote as he thinks fit.

A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or loss of capacity of the principal or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the share in respect of which the proxy is given, provided that no notice in writing of such death, loss of capacity, revocation or transfer as aforesaid shall have been received by the Company before the commencement of the meeting at which the proxy is used.

Resolutions of Shareholders' General Meetings

Resolutions of the Shareholders' General Meeting shall be divided into ordinary resolutions and special resolutions. To adopt an ordinary resolution, votes representing more than one-half of the voting rights represented by the shareholders (including proxies) present at the meeting must be exercised in favor of the resolution in order for it to be passed. To adopt a special resolution, votes representing more than two-thirds of the voting rights represented by the shareholders (including proxies) present at the meeting must be exercised in favor of the resolution in order for it to be passed.

The following shall be resolved by an ordinary resolution at a Shareholders' General Meeting:

(1) work reports of the Board and the Supervisory Committee;

(2) profit distribution plans and loss recovery plans formulated by the Board;

(3) appointment and removal of the members of the Board and the Supervisory Committee (except for the employee representative Supervisors) and their remuneration and method of payment;

(4) annual financial budgets, final accounts, balance sheets, income statements and other financial statements of the Company;

(5) The annual report of the company;

(6) Resolution on the employment, dismissal or non-renewal of the company's accounting firm and its remuneration;

(7) other matters other than those required by the laws, administrative regulations, the requirements of the securities regulatory authorities of the place where the shares of the Company are listing, or the Articles of Association to be adopted by special resolutions.

The following shall be resolved by a special resolution at a Shareholders' General Meeting:

(1) the increase in or decrease of the Company's registered capital;

(2) division, merger, splitting, dissolution, liquidation and change of corporate form of the Company;

(3) amendments to the Articles of Association;

(4) the Company's purchase or sale of material assets with a guaranteed amount exceeding 30% of the Company's total assets within one year;

(5) Equity incentive plans;

(6) any other matters required by the laws, administrative regulations or the Articles of Association, and matters considered by the Shareholders' General Meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on the Company and should be adopted by a special resolution;

(7) other matters required by the requirements of the securities regulatory authorities of the place where the shares of the Company are listing to be approved by special resolutions.

The nomination methods and procedures for the election of Directors and Supervisors (excluding employee representative Supervisors) at the Shareholders' General Meeting are as follows:

(1) Shareholders who hold or jointly hold more than 3% of the Company's total outstanding shares with voting rights may propose candidates for Directors and non-employee representative Supervisors to the Shareholders' General Meeting by way of written proposal, provided that the number of candidates nominated shall comply with the provisions of the Articles of Association and shall not exceed the number of candidates to be elected. The aforesaid proposal made by shareholders to the Company shall be delivered to the Company at least seven days prior to the date of the Shareholders' General Meeting.

(2) The Directors and Supervisors may, within the number specified in the Articles of Association and based on the number of candidates to be elected, propose a list of candidates for Directors and Supervisors, and submit the list to the Board of Directors and the Supervisory Committee for review. After the Board of Directors and the Supervisory Committee have reviewed and resolved to determine the candidates for Directors and Supervisors, they shall submit a written proposal to the Shareholders' General Meeting.

(3) A written notice of the intention to nominate a candidate for election as a Director or a Supervisor who is not an employee representative, the acceptance of nomination by such candidate and the relevant written materials of the nominated candidate shall be given to the Company not less than seven days prior to the date of the Shareholders' General Meeting (such seven-day period shall commence no earlier than the second day after the issue of the notice of the meeting at which the election shall be conducted and end no later than seven days prior to the date of the Shareholders' General Meeting). The Board of Directors and the Supervisory Committee shall provide shareholders with the resumes and basic information of the candidates for Directors and Supervisors.

(4) The period given to the Company for nominating candidates for Directors and Supervisors and the period for the nominees to submit the aforesaid notice and documents (such period shall commence from the day following the date of the notice of the Shareholders' General Meeting) shall be no less than seven days.

(5) The Shareholders' General Meeting shall vote on each candidate for Director or Supervisor one by one.

DIRECTORS AND BOARD OF DIRECTORS

Directors

Directors shall be elected or replaced at Shareholders' General Meetings and shall each serve a term of three years, subject to re-election upon expiry of the said term.

If the number of Directors falls below the minimum quorum as a result of a Director's resignation, such Director shall continue to perform his/her duties as a Director in accordance with the laws, administrative regulations, departmental rules and the Articles of Association until a new Director is elected.

The directors shall comply with the laws, administrative regulations and the articles of association of the company, and shall owe a duty of loyalty and diligence to the company.

The Board

The Company has a Board of Directors, which is accountable to the Shareholders' General Meeting. The Board of Directors shall comprise twelve (12) directors. The Board shall have a chairman. The chairman shall be elected and removed by more than half of all the Directors for a term of three years and may be re-elected.

The Board is held accountable to Shareholders' General Meeting and exercises the following powers:

(1) to convene Shareholders' General Meetings and report its work to the Shareholders' General Meetings;

(2) to implement the resolutions of the Shareholders' General Meeting;

(3) to decide on the Company's business plans and investment plans;

(4) to formulate the Company's annual financial budget and final accounts;

(5) to formulate the Company's profit distribution plan and loss recovery plan;

(6) to formulate the proposals for increase or reduction of the Company's registered capital and the issue and listing of shares, bonds or other securities of the Company;

(7) to formulate plans for material acquisitions, purchase of the Company's shares, merger, division, dissolution and change of corporate form of the Company;

(8) to decide on the Company's external investment, acquisition and disposal of assets, pledge of assets, external guarantees, entrusted financial management, connected transactions, external donations and other matters within the scope authorized by the general meeting;

(9) to determine the establishment of the Company's internal management structure;

(10) to decide on the appointment or dismissal of the Company's general manager, secretary to the Board; to appoint or dismiss the Company's deputy general manager (refer to the president, vice president or other senior management personnel appointed by the board of directors), chief financial officer, board secretary and other Senior Management as nominated by the general manager, and to decide on their remuneration, rewards and punishments;

(11) to formulate the Company's basic management system;

(12) to formulate proposals for any amendment to the Articles of Association;

(13) investment, acquisition or disposal of assets, financing, connected transactions and other matters required to be decided by the Board in accordance with the Listing Rules of the Hong Kong Stock Exchange;

(14) to manage the information disclosure of the Company;

(15) to propose to the general meeting the appointment or replacement of the accounting firm that provides audit service of annual financial statements to the Company;

(16) to listen to the work report of the general manager of the Company and inspect the work of the general manager;

(17) to authorize the chairman of the board to exercise certain powers;

(18) to exercise other functions and powers conferred by laws, administrative regulations, departmental rules or the Articles of Association.

The Board of Directors shall approve the above resolutions by more than half of all Directors.

The chairman of the Board of Directors exercises the following powers:

(1) to preside over Shareholders' General Meetings and convene and preside over meetings of the Board;

(2) to inspect the implementation of resolutions of the Board;

(3) other powers stipulated by laws and regulations or the Articles of Association and authorized by the Board.

Where the chairman is unable to perform his/her duties, a Director nominated by more than half of the Directors shall perform his/her duties.

Board meetings comprise regular meetings and ad hoc meetings. Board meetings shall be held at least four times a year and shall be convened by the chairman of the Board.

Under any of the following circumstances, the chairman of the Board shall convene an extraordinary meeting of the Board within ten days after receipt of the proposal:

(1) proposed by shareholders representing more than one tenth of the voting rights;

(2) jointly proposed by more than one-third of the Directors;

(3) proposed by the Supervisory Committee;

Board Secretary

The Company shall have a secretary to the Board. The secretary to the Board is a member of the Senior Management of the Company.

The secretary to the Board shall be a natural person who has the requisite professional knowledge and experience, and shall be appointed or dismissed by the Board. His/her primary responsibilities are:

(1) to responsible for the preparations for the meetings of the shareholders' meeting and the board of directors;

(2) to ensure that the Company has complete organizational documents and records;

(3) to ensure that the Company prepares and submits the reports and documents required by the competent authorities in accordance with the laws;

(4) to ensure that the register of shareholders of the Company is properly maintained and that persons entitled to the relevant records and documents of the Company are furnished with such records and documents without delay;

(5) handling of information disclosure.

(6) to perform other functions and powers conferred by the Board and required by laws, regulations and the stock exchange where the Company's shares are listed.

Directors or other Senior Management personnel of the Company may concurrently serve as the secretary to the Board. The accountant of the accounting firm engaged by the Company shall not act as the secretary to the Board.

When a Director serves concurrently as the secretary to the Board, such Director may not, in his/her or her dual capacity, take any action which is required to be taken separately by a Director and the secretary to the Board.

General Manager and Other Senior Management

The Company shall have one general manager, several deputy general managers and other Senior Management officers, one secretary to the Board, who shall be appointed or dismissed by the Board. The general manager, deputy general manager, chief financial officer, secretary to the Board and other personnel determined by the Board are the Senior Management of the Company.

A person who holds an administrative position other than director and supervisor in an entity where the Company holds controlling shares may not serve as an officer of the company. An officer of the Company only receive salaries from the Company and the controlling shareholder shall not pay salaries thereto on behalf of the Company.

The general manager shall be accountable to the Board and exercise the following functions and powers:

(1) to be in charge of the production, operation and management of the Company, to organize the implementation of the resolutions of the Board and to report to the Board;

(2) to organize the implementation of the Company's annual business plans and investment plans;

(3) to formulate plans for the establishment of the Company's internal management structure;

(4) to draft the Company's basic management system;

(5) to formulate the specific rules and regulations of the Company;

(6) to propose the appointment or dismissal of the deputy general manager, chief financial officer and other Senior Management of the Company;

(7) to appoint or dismiss management personnel other than those required to be appointed or dismissed by the Board;

(8) to propose to convene an extraordinary meeting of the Board;

(9) to decide on other matters of the Company within the scope of authorization of the Board;

(10) to decide on investment, acquisition or disposal, financing and other projects other than those that must be decided by the Board and the Shareholders' General Meeting;

(11) other powers conferred by the Articles of Association or the Board.

SUPERVISORS AND THE SUPERVISORY COMMITTEE

Supervisors

The Supervisory Committee consists of three Supervisors, one of whom shall be the chairman of the Supervisory Committee. The term of office of Supervisors shall be three years, renewable upon re-election.

The Supervisory Committee consists of shareholder representative Supervisors and employee representative Supervisors, and the number of employee representative Supervisors shall not be less than one-third of the members of the Supervisory Committee. Among them, shareholder representative Supervisors shall be elected and removed by the Shareholders' General Meeting, and employee representative Supervisors shall be elected democratically through the employee representatives' meeting, employee meeting or otherwise.

Directors and Senior Management shall not act concurrently as Supervisors.

The Supervisory Committee

The Supervisory Committee shall be accountable to the Shareholders' General Meeting and exercise the following powers:

(1) to examine the Company's financial affairs;

(2) to supervise the Directors and Senior Management in their performance of their duties and to propose the removal of Directors and Senior Management who have violated laws, administrative regulations, the Articles of Association or resolutions of Shareholders' General Meetings;

(3) to demand rectification by a Director or Senior Management when the acts of such persons are harmful to the Company's interest;

(4) to propose the convening of extraordinary general meetings and to convene and preside over Shareholders' General Meetings when the Board fails to perform the duty of convening and presiding over Shareholders' General Meetings under the Company Law;

(5) to submit proposals to the Shareholders' General Meeting;

(6) to propose to convene an extraordinary meeting of the Board;

(7) to initiate proceedings against Directors and senior management in accordance with the relevant laws;

(8) to investigate any irregularities identified in the operation of the Company; if necessary, to engage professional institutions such as accounting firms and law firms to assist its work at the expense of the Company;

(9) other functions and powers stipulated by laws and regulations, the securities regulatory authorities of the place where the Company's shares are listing.

Supervisors shall be present at meetings of the Board.

Meetings of the Supervisory Committee shall be held at least once every six months and convened by the chairman of the Supervisory Committee. If the chairman of the Supervisory Committee is unable or fails to perform his/her duties, a Supervisor nominated by more than half of the Supervisors shall convene and preside over the meetings of the Supervisory Committee.

Notice of at least 10 days in advance shall be given for a regular meeting of the Supervisory Committee and at least 5 days in advance shall be given for an extraordinary meeting of the Supervisory Committee to all Supervisors. The staff of the Supervisory Committee shall deliver the written notice of the meeting to all Supervisors by direct delivery, fax, express mail or other electronic means. If service is made indirectly, confirmation shall additionally be made by telephone and the appropriate record thereof shall be made. Where an extraordinary meeting of the Supervisory Committee needs to be convened in emergency, the notice of meeting may be sent by telephone or other verbal means at any time, but the convener shall make explanations at the meeting.

Financial and Accounting System

The Company shall establish its financial and accounting system in accordance with the laws, administrative regulations as well as the regulations formulated by the relevant departments of the State.

The Company shall prepare a financial report at the end of each fiscal year, which shall be reviewed and verified in accordance with the laws.

The financial statements of the Company shall, in addition to being prepared in accordance with PRC accounting standards and regulations, be prepared in accordance with either international accounting standards or that of the overseas place where the Company's shares are listed. If there is any material difference between the financial statements prepared respectively in accordance with the two accounting standards, such difference shall be stated in the notes to the financial statements. When the Company is to distribute its after-tax profits, the lower of the after-tax profits as shown in the two financial statements shall be adopted.

The Board of Directors of the Company shall place before the shareholders at every annual general meeting such financial reports as are required by any laws, administrative regulations or directives promulgated by competent regional and central governmental authorities to be prepared by the Company.

The Company shall not keep accounts other than those provided by law. The assets of the Company shall not be deposited in any account opened in the name of any individual.

The interim results or financial information published or disclosed by the Company shall be prepared in accordance with the PRC accounting standards and regulations as well as the international accounting standards or the accounting standards of the overseas listing place.

The Company shall publish its financial reports twice every fiscal year in accordance with the international accounting standards or the accounting standards of the overseas listing place, that is, the interim financial report shall be published within 60 days after the end of the first six months of each fiscal year and the annual financial report shall be published within 120 days after the end of each fiscal year.

The Company's financial reports shall be made available for shareholders' inspection at the Company 20 days before the date of every annual general meeting. Each shareholder of the Company shall be entitled to obtaining the financial reports mentioned above.

The Company shall deliver or send to each shareholder of overseas listed shares by prepaid mail at the address registered in the register of shareholders the aforesaid financial reports not less than 21 days before the date of every annual general meeting. Subject to the laws, administrative regulations, departmental rules and the relevant requirements of the securities regulatory authorities of the place where the Company's shares are listed, the Company may make announcements (including publication on the Company's website).

Profit Distribution

When distributing each year's after-tax profits, it shall set aside 10% of its profits into its statutory reserve fund. It may not be set aside where the fund has over 50% of its registered capital.

If its statutory reserve fund is not sufficient to make up losses of the previous year, profits of the current year shall be applied to make up losses before allocation is made to the statutory reserve fund pursuant to the above provisions

After allocation of the statutory reserve fund from after-tax profits, it may, upon a resolution passed at the Shareholders' General Meeting, allocate discretionary reserve fund from after-tax profits.

After the Company has made good its losses and made allocations to its statutory reserve fund, the remaining profits are distributed in proportion to the number of shares held by the shareholders.

If the Shareholders' General Meeting distributes profits to shareholders before the Company has made up for losses and made allocations to the statutory statutory reserve fund in violation of the above provisions, the profits distributed in violation of the provisions must be returned to the Company. Shares held by the Company shall not be entitled to any profit distribution. The capital reserve fund comprises the following:

(1) any premium above the proceeds from share issuance at nominal value;

(2) other income required by the financial authority of the State Council to be included in the capital reserve fund.

The premium received through issuance of shares at prices above par value and other income required by the financial department of the State Council to be included as the capital reserve fund shall be accounted for as the capital reserve fund of the Company.

The Company's reserve fund shall be applied to make up losses of the Company, expand its business operations or be converted to increase the registered capital of the Company. However, the capital reserve fund may not be applied to make up the Company's losses. Upon the conversion of statutory reserve fund into capital, the balance of the statutory reserve fund shall not be less than 25% of the registered capital of the Company before such conversion.

The Company may distribute dividends in either or both of the following ways:

(1) cash;

(2) shares;

After a resolution of the shareholders' meeting of the Company is made regarding its profit distribution plan, the board of directors must complete the distribution of dividends (or shares) within two months after the shareholders' meeting is held.

The Company shall appoint receiving agents for shareholders of overseas listing shares. The receiving agents shall receive on behalf of such shareholders dividends declared and all other monies owing by the Company in respect of the overseas listing shares, and hold such monies on behalf of such shareholders pending payment to such shareholders.

The receiving agents appointed by the Company shall meet the requirements of the laws or relevant regulations of the security exchange in the place of listing.

The receiving agents appointed on behalf of shareholders of overseas listing shares listed on the Hong Kong Stock Exchange shall be the Company registered as a trust company under the Trustee Ordinance of Hong Kong.

Accounting Firm

The Company shall engage an accounting firm in compliance with the provisions of the Securities Law to audit its accounting statements to audit the Company's annual financial reports and review the Company's other financial reports.

The period of engagement of the Company's accounting firm shall commence at the conclusion of this Annual General Meeting of the Company and end at the conclusion of the next Annual General Meeting of the Company.

The auditing fees payable to the accounting firm shall be subject to the decision of the shareholders' meeting.

The engagement of an accounting firm must be subject to the decision of the shareholders' meeting, and the board of directors may not appoint any accounting firm before the shareholders' meeting makes the decision.

Where the Company dismisses or does not renew the engagement of an accounting firm, the Company shall notify the accounting firm in advance, but when the dismissal of the accounting firm is voted at a shareholders' meeting, the accounting firm shall be allowed to present its opinion.

Merger and Division of the Company

The Company may undergo combination in the form of merger or consolidation.

Where the Company undergoes combination, all parties to the combination shall enter into a combination agreement, and prepare balance sheets and property checklists. The Company shall, within 10 days after making the decision of combination, notify the creditors, and shall make a public announcement on newspapers within 30 days.

Where the Company undergoes division, the property of the Company shall be divided accordingly.

If undergoing division, the Company shall prepare a balance sheet and a property checklist. After making a resolution on division, the Company shall notify creditors within ten days, and publish an announcement on [name of newspapers] within 30 days.

When the Company reduces its registered capital, it must prepare a balance sheet and an inventory of assets.

The Company shall notify its creditors within ten days and publish an announcement in newspapers within 30 days after the resolution approving the reduction has been made. The creditors shall have the right to require the Company to repay its debts within 30 days after receiving the notice, or provide corresponding repayment guarantees within 45 days after the announcement if the creditors have not received the notice.

Dissolution and Liquidation of the Company

The Company shall be dissolved and liquidated according to law in any of the following circumstances:

(1) the term of business stipulated in the Articles of Association has expired or other events of dissolution specified in the Articles of Association have occurred;

(2) the Shareholders' General Meeting resolves to dissolve the Company;

(3) dissolution is necessary due to a merger or division of the Company;

(4) the business license is revoked, or the business is ordered to close down or is revoked;

(5) where the Company encounters serious difficulties in its operation and management and its continuance shall cause a significant loss to the interest of shareholders, and where this cannot be resolved through other means, shareholders who hold more than 10% of the total shareholders' voting rights of the Company may present a petition to the People's Court for the dissolution of the Company, the People's Court dissolves in accordance with the law.

In the event of (1) above, the Company may carry on its existence by amending its Articles of Association.

Where the Company is dissolved under the provisions of (1), (2), (4), (5) above, a liquidation committee shall be established and the liquidation shall commence within 15 days after the occurrence of an event of dissolution. The liquidation committee shall be composed of the persons determined by the Directors or the Shareholders' General Meeting. If a liquidation committee is not established within the stipulated period to conduct liquidation, the creditors may apply to the People's Court to appoint relevant personnel to form a liquidation committee to conduct liquidation.

The liquidation committee shall exercise the following functions and powers during the liquidation period:

(1) to sort out the Company's assets and prepare a balance sheet and an inventory of assets respectively;

(2) to notify the creditors and make announcements;

(3) to deal with and settle the outstanding business of the Company;

(4) to pay all outstanding taxes and taxes arising in the course of liquidation;

(5) to settle claims and debts;

(6) to deal with the surplus assets of the Company after its debts have been paid off;

(7) to participation in civil lawsuits on behalf of the Company.

The liquidation committee shall notify creditors within ten days after its establishment and shall make announcements in newspapers within 60 days. A creditor shall lodge his/her claim with the liquidation committee within 30 days after receiving the notice or within 45 days after the date of announcement if he/she did not receive the notice.

When declaring their claims, the creditors shall explain the matters related to their claims and provide supporting materials. The liquidation committee shall register the creditor's rights.

During the period of declaration of claims, the liquidation committee shall not settle any debts to creditors.

Upon liquidation of the Company's properties and the preparation of the balance sheet and inventory of assets, the liquidation committee shall draw up a liquidation plan and submit it to the Shareholders' General Meeting or the competent authority for confirmation.

The remaining assets of the Company after payment of liquidation expenses, wages, social insurance expenses and statutory compensation of employees, outstanding taxes and the Company's debts shall be distributed to shareholders in proportion to their shareholdings.

During the liquidation period, the Company shall continue to exist but shall not carry out any business activities unrelated to the liquidation. The assets of the Company shall not be distributed to the shareholders before the settlements are made in accordance with the above provisions.

The liquidation committee, having thoroughly examined the Company's assets and having prepared a balance sheet and an inventory of assets, discovers that the Company's assets are insufficient to pay its debts in full, it shall apply to the People's Court for a declaration of insolvency in accordance with law.

After the People's Court has declared the Company bankrupt, the liquidation committee shall hand over the affairs of the liquidation to the People's Court.

Upon completion of the liquidation, the liquidation committee shall prepare a liquidation report, shall be submitted to the Shareholders' General Meeting or the competent authority for confirmation. Within 30 days upon confirmation by the Shareholders' General Meeting or the competent authority, the liquidation committee shall submit the aforesaid documents to the Company registration authority, applying for cancelation of the Company's registration and announce the termination of the Company.

Amendments to the Articles of Association

The Company may amend the Articles of Association in accordance with the laws, administrative regulations, the securities regulatory authority at the place where the Company's shares are listing, and the Articles of Association.

The Company shall amend the Articles of Association in any of the following circumstances:

(1) After the amendment of the Company Law or any other relevant law or administrative regulation, any provisions of these Bylaws are in conflict with the amended law or administrative regulation;

(2) Any changes of the Company result in inconsistency with the relevant provisions of these Bylaws;

(3) The shareholders' meeting decides to amend these Bylaws.

The amendments to the Articles of Association, if there is any change relating to the registered particulars of the Company, application shall be made for registration of the changes in accordance with law. The Board of Directors shall amend these Articles of Association in accordance with the resolution of the General Meeting of Shareholders to amend the Articles of Association and the approval of the relevant competent authorities. Amendments to the Articles are information required to be disclosed by laws and regulations and shall be announced in accordance with the provisions.

FURTHER INFORMATION ABOUT THE COMPANY

Incorporation

The Company was established as a limited liability company under the laws of the PRC on October 25, 2017 and was converted into a joint stock company with limited liability on April 7, 2022.

The Company has established a place of business in Hong Kong at Unit 2 LG 1 Mirror Tower 61, Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong. The Company was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance and the Companies (Non-Hong Kong Companies) Regulation (Chapter 622J of the Laws of Hong Kong) on June 8, 2022, with Ms. Zhang Xiao of 40th Floor, Dah Sing Financial Center, No. 248 Queen's Road East, Wanchai, Hong Kong appointed as the Hong Kong authorized representative of the Company for acceptance of the service of process and any notices required to be served on the Company in Hong Kong.

As the Company was incorporated in the PRC, its operations are subject to the relevant laws and regulations of the PRC. A summary of the relevant aspects of laws and regulations of the PRC and the Articles of Association is set out in Appendix IV and Appendix V, respectively.

Changes in the Share Capital of the Company

On October 25, 2017, the predecessor of the Company was established as a limited liability company under the laws of the PRC with a registered capital of RMB100,000,000. Major changes to the share capital of the Company are summarized as follows:

On July 28, 2018, the registered capital of the Company was increased from RMB100,000,000 to RMB300,000,000, the increased registered capital of which was contributed by Yongqing Technology and Shanghai Fuqin.

On August 16, 2021, the registered capital of the Company was increased from RMB300,000,000 to RMB1,200,000,000, the increased registered capital of which was contributed by Yongqing Technology, Wenzhou Jingli, Wenzhou Ruili and Wenzhou Qingshan.

On November 22, 2021, the registered capital of the Company was increased from RMB1,200,000,000 to RMB1,463,414,634, the increased registered capital of which was contributed by Yongqing Technology and Wenzhou Zhuorui.

On April 7, 2022, the Company was converted into a joint stock company with limited liability with its total registered capital of RMB1,463,414,634 converted into share capital with an amount of RMB1,463,414,634.

On April 11, 2022, the registered capital of the Company was increased from RMB1,463,414,634 to RMB1,724,603,158, the increased registered capital of which was contributed by Qingdao SAIC, Jiaxing SAIC and Wenzhou Transportation Group.

On June 14, 2022, the registered capital of the Company was increased from RMB1,724,603,158 to RMB1,763,876,299, the increased registered capital of which was contributed by Yongqing Technology.

On August 4, 2022, the registered capital of the Company was increased from RMB1,763,876,299 to RMB2,009,240,027, the increased registered capital of which was contributed by Tianjin Haihe (IDG Capital Entity), Wuhu Wenming, Pingan Investment, CNGR, Wenzhou Chengyuan, Jiaxing Yuzhi, Guangdong Guangxin Private Equity, Wenzhou Zhenxu, CITICS Investment, Guangdong Jiarui, XCMG No. 1 Fund, Jiaxing Rongpu, Wuhan Yunshang, Jiaxing Aohao, Junying Changhong, Mr. Zhang Xiangkang, Huzhou Lianjie, Silver Saddle Fund and Zhejiang University Education Foundation.

On October 25, 2022 the registered capital of the Company was increased from RMB2,009,240,027 to RMB2,160,803,850, the increased registered capital of which was contributed by Foshan Manufacturing Transformation & Development Fund, SCGC, HOPU Orient, Longwan Financial Holdings, Wenzhou Gongchuang, Xiamen Chuangyi, Zhongyuan Hejia, Suzhou NewMargin, Hangzhou Longqi, Guangdong Guangxin Equity Investment, Xiamen Fuxinrui, Qingdao Heaven-Sent, Lishui Xiangxi and 3W Global I.

Save as disclosed above, there has been no alteration in the share capital of the Company within two years immediately preceding the date of this document.

Resolutions Passed by Our Shareholders' General Meetings in Relation to the [REDACTED]

At the extraordinary general meeting of the Shareholders held on November 11, 2022, the following resolutions, among other things, were duly passed:

(i) the [**REDACTED**] by the Company of H Shares with a nominal value of RMB1.00 each and such H Shares be [**REDACTED**] on the Hong Kong Stock Exchange;

(ii) the number of H shares to be [**REDACTED**] shall be up to [**REDACTED**], and the grant of the [**REDACTED**] in respect of no more than [**REDACTED**] of the number of H Shares [**REDACTED**] pursuant to the [**REDACTED**];

(iii) subjects to the filing procedure with the CSRC, upon completion of the [**REDACTED**], [**REDACTED**] in aggregate held by [**REDACTED**] will be converted into H Shares on a one-for-one basis;

(iv) authorization of the Board or its authorized individual to handle all matters relating to, among other things, the [**REDACTED**], the [**REDACTED**] and [**REDACTED**] of H Shares on the Hong Kong Stock Exchange; and

(v) subject to the completion of the [**REDACTED**], the conditional adoption of the revised Articles of Association, which shall become effective on the [**REDACTED**].

At the extraordinary general meeting of the Shareholders held on June 9, 2023, the following resolutions, among other things, were duly passed:

(i) subjects to the filing procedure with the CSRC, upon completion of the [**REDACTED**], [**REDACTED**] in aggregate held by [**REDACTED**] will be converted into H Shares on a one-for-one basis;

(ii) the further revision of the Articles of Association, which shall become effective on the [**REDACTED**].

Our Subsidiaries

A summary of the corporate information of the particulars of our subsidiaries are set out in Note 1 to the Accountants' Report as set out in Appendix I.

The following subsidiaries of the Company were incorporated within two years immediately preceding the date of this document:

No.	Name	Place of Incorporation	Date of Incorporation
1	Guangdong REPT BATTERO	PRC	July 27, 2021
2	REPT SAIC	PRC	April 15, 2022
3	Zhejiang Ruiyuan	PRC	June 6, 2022
4	Wenzhou Qianshi	PRC	November 15, 2021
5	Chongqing REPT BATTERO	PRC	March 1, 2023
6	BatteroTech Jiaxing	PRC	April 11, 2023

The following sets out the changes in the registered capital of subsidiaries of our Group within the two years immediately preceding the date of this document:

No.	Name	Change	Registered Capital After Change	Date of Change
1	BatteroTech Shanghai	increased	RMB1,000 million	August 23, 2021
2	BatteroTech Jiashan	increased	RMB600 million	September 2, 2021
		increased	RMB820 million	June 16, 2022
3	Guangdong REPT BATTERO	increased	RMB500 million	June 17, 2022

Save as disclosed above, there has been no alteration in the registered capital of subsidiaries of the Company within two years immediately preceding the date of this document.

So far as is known to any Director or chief executive of the Company, as at the Latest Practicable Date, the following persons are directly or indirectly interested in 10% or more of the issued voting shares of the following subsidiaries of the Company:

No.	Name of Subsidiary	Name of Shareholder	Amount of Registered Capital Held	Approximate Percentage of Interest as of the Latest Practicable Date
1	Guangdong REPT BATTERO	Wenzhou Qianshi	RMB100.0 million	20.0%
2	BatteroTech Shanghai	Wenzhou Chenshan	RMB143.0 million	14.3%
3	REPT SAIC	Liuzhou SAIC Technology Development Co., Ltd.	RMB528.0 million	44.0%

FURTHER INFORMATION ABOUT THE BUSINESS

Summary of Material Contracts

The Group has entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this document that are or may be material:

(a) the [**REDACTED**]; and

(b) [●]

Intellectual Property

As at the Latest Practicable Date, the following intellectual property rights are material to the Group's business:

Trademarks

As at the Latest Practicable Date, the Group had registered the following trademarks which are material to its business:

No.	Trademark	Class	Registered Owner	Place of Registration	Registration Number	Expiry Date
1.	瑞浦能源 REPT	37	the Company	PRC	31348178	June 6, 2029
2.		9	the Company	PRC	31353778	March 27, 2030
3.	EASY FOR TERA	7	BatteroTech Shanghai	PRC	52711059	August 27, 2031
4.	EASY FOR TERA	9	BatteroTech Shanghai	PRC	52694890	August 20, 2031
5.	EASY FOR TERA	12	BatteroTech Shanghai	PRC	52699601	August 20, 2031
6.	EASY FOR TERA	42	BatteroTech Shanghai	PRC	52699610	August 27, 2031
7.	BATTERO	9	BatteroTech Shanghai	PRC	49206722	July 20, 2032
8.		7	BatteroTech Shanghai	PRC	49216683	March 27, 2031

No.	Trademark	Class	Registered Owner	Place of Registration	Registration Number	Expiry Date
9.		9	BatteroTech Shanghai	PRC	49204230	March 27, 2031
10.		12	BatteroTech Shanghai	PRC	49223139	March 27, 2031
11.		42	BatteroTech Shanghai	PRC	49198094	March 27, 2031
12.	BATTEROTECH	7	BatteroTech Shanghai	PRC	49222324	June 13, 2031
13.	BATTEROTECH	9	BatteroTech Shanghai	PRC	49205803	June 13, 2031
14.	BATTEROTECH	12	BatteroTech Shanghai	PRC	49214536	June 13, 2031
15.	BATTEROTECH	7	BatteroTech Shanghai	PRC	40909128	July 20, 2030
16.	REPT BATTERO 瑞浦兰钧 REPT BATTERO 瑞浦兰钧 REPT 瑞浦兰钧 BATTERO REPT 瑞浦兰钧 BATTERO	9, 35, 40, 42	The Company	Hong Kong	305975722	June 3, 2032
17.	瑞浦兰钧	7	the Company	PRC	67743768	April 6, 2033
18.	REPT BATTERO	4	the Company	PRC	66800627	February 27, 2033
19.	REPT BATTERO	6	the Company	PRC	66806688	February 27, 2033
20.	REPT BATTERO	7	the Company	PRC	66797154	February 27, 2033
21.	REPT BATTERO	9	the Company	PRC	66813500	February 27, 2033
22.	REPT BATTERO	12	the Company	PRC	66801767	February 27, 2033
23.	REPT BATTERO	35	the Company	PRC	66795307	February 27, 2033
24.	REPT BATTERO	36	the Company	PRC	66793614	February 27, 2033
25.	REPT BATTERO	37	the Company	PRC	66800922	February 27, 2033

No.	Trademark	Class	Registered Owner	Place of Registration	Registration Number	Expiry Date
26.	REPT BATTERO	39	the Company	PRC	66795001	February 27, 2033
27.	REPT BATTERO	40	the Company	PRC	66809606	February 27, 2033
28.	REPT BATTERO	42	the Company	PRC	66805079	February 27, 2033
29.	REPT BATTERO	9	the Company	the UK	WO0000001715845	October 7, 2032
30.	REPT BATTERO	35	the Company	the UK	WO0000001715845	October 7, 2032
31.	REPT BATTERO	40	the Company	the UK	WO0000001715845	October 7, 2032
32.	REPT BATTERO	42	the Company	the UK	WO0000001715845	October 7, 2032
33.	REPT BATTERO	9	the Company	Australia	2338468	October 7, 2032
34.	REPT BATTERO	35	the Company	Australia	2338468	October 7, 2032
35.	REPT BATTERO	40	the Company	Australia	2338468	October 7, 2032
36.	REPT BATTERO	42	the Company	Australia	2338468	October 7, 2032
37.	问顶	9	the Company	PRC	66790646	May 13, 2033
38.	REPT	4	the Company	PRC	67734642	April 6, 2033
39.	REPT	6	the Company	PRC	67725429	April 6, 2033
40.	REPT	12	the Company	PRC	67727978	April 6, 2033
41.	REPT	35	the Company	PRC	67734628	April 6, 2033
42.	REPT	36	the Company	PRC	67725423	April 6, 2033
43.	REPT	39	the Company	PRC	67750653	April 6, 2033

As at the Latest Practicable Date, the Group had applied for registration of the following trademarks which are material to its business:

No	Trademark	Class	Registered Owner	Place of Registration	Application Number	Application Date
1.	瑞浦兰钧	4	The Company	PRC	64751595	May 19, 2022
2.	瑞浦兰钧	6	The Company	PRC	64735008	May 19, 2022
3.	瑞浦兰钧	9	The Company	PRC	64734970	May 19, 2022
4.	瑞浦兰钧	12	The Company	PRC	64751617	May 19, 2022
5.	瑞浦兰钧	35	The Company	PRC	64733450	May 19, 2022
6.	瑞浦兰钧	36	The Company	PRC	64729911	May 19, 2022
7.	瑞浦兰钧	37	The Company	PRC	64724312	May 19, 2022
8.	瑞浦兰钧	39	The Company	PRC	64734982	May 19, 2022
9.	瑞浦兰钧	40	The Company	PRC	64740631	May 19, 2022
10.	瑞浦兰钧	42	The Company	PRC	64747795	May 19, 2022
11.	REPT BATTERO	4	The Company	PRC	64798011	May 23, 2022
12.	REPT BATTERO	6	The Company	PRC	64800601	May 23, 2022
13.	REPT BATTERO	9	The Company	PRC	64819226	May 23, 2022
14.	REPT BATTERO	12	The Company	PRC	64815073	May 23, 2022
15.	REPT BATTERO	35	The Company	PRC	64808459	May 23, 2022
16.	REPT BATTERO	36	The Company	PRC	64817215	May 23, 2022
17.	REPT BATTERO	37	The Company	PRC	64818010	May 23, 2022
18.	REPT BATTERO	39	The Company	PRC	64807397	May 23, 2022
19.	REPT BATTERO	40	The Company	PRC	64822845	May 23, 2022

No	Trademark	Class	Registered Owner	Place of Registration	Application Number	Application Date
20.	REPT BATTERO	42	The Company	PRC	64817705	May 23, 2022
21.	REPT	4	The Company	PRC	64877292	May 25, 2022
22.	REPT	6	The Company	PRC	64855631	May 25, 2022
23.	REPT	9	The Company	PRC	64870945	May 25, 2022
24.	REPT	12	The Company	PRC	64878572	May 25, 2022
25.	REPT	36	The Company	PRC	64855622	May 25, 2022
26.	REPT	37	The Company	PRC	64866658	May 25, 2022
27.	REPT	39	The Company	PRC	64877236	May 25, 2022
28.	REPT	40	The Company	PRC	64878549	May 25, 2022
29.	REPT	42	The Company	PRC	64855036	May 25, 2022
30.	兰钧	9	BatteroTech Shanghai	PRC	65016128	June 1, 2022
31.	兰钧	12	BatteroTech Shanghai	PRC	65039837	June 1, 2022
32.	兰钧	7	BatteroTech Shanghai	PRC	65039828	June 1, 2022
33.	兰钧	42	BatteroTech Shanghai	PRC	65025100	June 1, 2022

Domain Names

As at the Latest Practicable Date, the Group had registered the following domain names which are material to its business:

No.	Domain Name	Registered Owner	Expiry Date
1.	www.chinarept.com	The Company	October 18, 2028

Patents

As at the Latest Practicable Date, the Group had registered the following patents which are material to its business:

No	Patent Name	Type	Patent Holder	Jurisdiction of Registration	Patent Number	Date of Application	Expiry Date
1.	Cell of Coiled Lithium-ion Battery (一種捲繞式鋰離子電池的電芯)	Invention	The Company	PRC	ZL2018108062131	July 20, 2018	July 19, 2038
2.	Electrode and Cell for Coiled Lithium-ion Battery (一種用於捲繞式鋰離子電池的極片及電芯)	Invention	The Company and REPT Qingchuang	PRC	ZL2018108061853	July 20, 2018	July 19, 2038
3.	Current Control Method Based on Battery Load State (一種基於電池負載狀態的電流控制方法)	Invention	The Company and REPT Qingchuang	PRC	ZL201811417204X	November 26, 2018	November 25, 2038
4.	Method for Adjusting the Alignment of the Pole Lugs, Coiled Cell of Power Battery and Preparation Method (一種調整極耳對齊度的方法、動力電池卷芯及製備方法)	Invention	The Company	PRC	ZL2019108649060	September 9, 2019	September 8, 2039
5.	Method and System for Detecting the Decay Degree of Secondary Storage Battery and Series Module (一種檢測二次蓄電池及串聯模塊衰減程度的方法及系統)	Invention	The Company and REPT Qingchuang	PRC	ZL2020101046949	February 20, 2020	February 19, 2040

No	Patent Name	Type	Patent Holder	Jurisdiction of Registration	Patent Number	Date of Application	Expiry Date
6.	Storage Battery Regulation Method, Electronic Device and Storage Medium (一種蓄電池的調控方法、電子設備和存儲介質)	Invention	The Company and REPT Qingchuang	PRC	ZL202010402466X	May 13, 2020	May 12, 2030
7.	Lithium-ion Battery Capacity Prediction Method and System (鋰離子電池容量預測方法及系統)	Invention	The Company and REPT Qingchuang	PRC	ZL2020112266726	November 6, 2020	November 5, 2030
8.	Preparation of Silicon Composite Material and Anode Electrode Containing it (一種硅複合材料的製備及含其的負極片)	Invention	The Company and REPT Qingchuang	PRC	ZL2020115471864	December 24, 2020	December 23, 2040
9.	Method for Improving Reliability of Power Battery Pole Lug Welding (提高動力電池極耳焊接可靠性的方法)	Invention	The Company and REPT Qingchuang	PRC	ZL2021100449434	January 13, 2021	January 12, 2041
10.	Safety-type Lithium-ion Battery and its Preparation Method (一種安全型鋰離子電池及其製備方法)	Invention	The Company and REPT Qingchuang	PRC	ZL2021101145830	January 28, 2021	January 27, 2041
11.	Method of Dry Preparation of Lithium Replenishment Anode Electrode for Lithium Battery (一種幹法製備鋰電池補鋰負極片的方法)	Invention	The Company and REPT Qingchuang	PRC	ZL2021106635766	June 16, 2021	June 15, 2041

No	Patent Name	Type	Patent Holder	Jurisdiction of Registration	Patent Number	Date of Application	Expiry Date
12.	Method of Radiation Lithium Replenishment and Electrode, Coiled Cell and Battery Included therein (一種輻射補鋰的方法及其包括的電極、卷芯和電池)	Invention	The Company and REPT Qingchuang	PRC	ZL2021106827713	June 21, 2021	June 20, 2041
13.	Pomegranate-type Silicon-based Anode Material and its Preparation Method (一種類石榴型硅基負極材料及其製備方法)	Invention	The Company and REPT Qingchuang	PRC	ZL2021110001655	August 30, 2021	August 29, 2041
14.	Battery Box and its Heat Dissipation Method (一種電池箱及其散熱方法)	Invention	The Company and REPT Qingchuang	PRC	ZL2021115589610	December 20, 2021	December 19, 2041
15.	Low Cobalt Ternary Cathode Material for Lithium-ion Battery and its Preparation Method, Cathode Electrode of Lithium-ion Battery and Lithium-ion Battery (一種鋰離子電池用低鈷三元正極材料及其製備方法、鋰離子電池正極極片和鋰離子電池)	Invention	The Company and REPT Qingchuang	PRC	ZL2022100890347	January 26, 2022	January 25, 2042

No	Patent Name	Type	Patent Holder	Jurisdiction of Registration	Patent Number	Date of Application	Expiry Date
16.	Lithium Replenishment Isolation Film and its Preparation Method, Cell Containing Lithium Replenishment Isolation Film and its Preparation Method (補鋰隔離膜及其製備方法、含補鋰隔離膜的電芯及其製備方法)	Invention	REPT Qingchuang	PRC	ZL2022101351669	February 15, 2022	February 14, 2042
17.	Method of Secondary Liquid Injection for High Power Lithium-ion Power Battery (高功率型鋰離子動力電池的二次注液的方法)	Invention	The Company and REPT Qingchuang	PRC	ZL2022102497761	March 15, 2022	March 14, 2042
18.	Current Collector, Electrode and Lithium-ion Battery with Pore-Making Function Coating (一種具有造孔功能塗層的集流體、極片以及鋰離子電池)	Invention	The Company and REPT Qingchuang	PRC	ZL2022103771439	April 12, 2022	April 11, 2042
19.	Welding Method of Secondary Battery Pole Lugs and its Battery (一種二次電池極耳的焊接方法及其電池)	Invention	The Company	PRC	ZL2022104663022	April 29, 2022	April 28, 2042
20.	High-safety Ternary Cathode Material (一種高安全性的三元正極材料)	Invention	The Company and REPT Qingchuang	PRC	ZL2022105414421	May 19, 2022	May 18, 2042

No	Patent Name	Type	Patent Holder	Jurisdiction of Registration	Patent Number	Date of Application	Expiry Date
21.	Electrode and Cell for Coiled Lithium-ion Battery and its Preparation Method (巻回型リチウムイオン電池の電極シート及び電池セル並びにその製造方法)	Invention	The Company	Japan	JP7132672B2	February 28, 2019	February 27, 2039
22.	Electrode Plate and Battery Cell of Wound Lithium-Ion Battery and Method for Manufacturing Same	Invention	The Company	U.S.	US11322807B2	February 28, 2019	February 27, 2039
23.	Secondary Battery (二次電池)	Utility Model	REPT Qingchuang	PRC	ZL2021227726332	November 12, 2021	November 11, 2031
24.	Battery Module and its Battery Pack (電池模組及其電池包)	Utility Model	The Company and REPT Qingchuang	PRC	ZL202121612263X	July 15, 2021	July 14, 2031
25.	Battery Pack Based on Square-case Coiled Cell (基於方殼捲繞電芯的電池包)	Utility Model	The Company and REPT Qingchuang	PRC	ZL2021216906539	July 23, 2021	July 22, 2031
26.	Electrode, Cell and Lithium-ion Battery for Coiled Lithium-ion Battery (一種用於捲繞式鋰離子電池的極片、電芯及鋰離子電池)	Utility Model	The Company and REPT Qingchuang	PRC	ZL2018211555820	July 20, 2018	July 19, 2028
27.	Lithium-ion Battery Top Cover and Lithium-ion Battery (一種鋰離子電池頂蓋及鋰離子電池)	Utility Model	The Company and REPT Qingchuang	PRC	ZL2019223445559	December 24, 2019	December 23, 2029

No	Patent Name	Type	Patent Holder	Jurisdiction of Registration	Patent Number	Date of Application	Expiry Date
28.	Power Battery Top Cover and Power Battery (動力電池頂蓋及動力電池)	Utility Model	The Company	PRC	ZL2020214380929	July 21, 2020	July 20, 2030
29.	Electrode and Cell of Coiled Lithium-ion Battery (一種捲繞式鋰離子電池的極片及電芯)	Utility Model	The Company and REPT Qingchuang	PRC	ZL2018211613614	July 23, 2018	July 22, 2028
30.	High-integrity Box-type Energy Storage Battery System (一種高集成度箱式儲能電池系統)	Utility Model	The Company and REPT Qingchuang	PRC	ZL2018215425794	September 20, 2018	September 19, 2028
31.	High-safety Energy Storage Battery System (一種高安全性儲能電池系統)	Utility Model	The Company and REPT Qingchuang	PRC	ZL2018216424958	October 10, 2018	October 9, 2028
32.	Power Battery Top Cover and Power Battery with Liquid Injection through-hole Seal Protection Structure (具有注液通孔密封件保護結構的動力電池頂蓋及動力電池)	Utility Model	The Company and REPT Qingchuang	PRC	ZL2019205131958	April 16, 2019	April 15, 2029
33.	Power Battery Top Cover and Power Battery with Pole Liquid Injection through-hole Structure (具有極柱注液通孔結構的動力電池頂蓋及動力電池)	Utility Model	The Company and REPT Qingchuang	PRC	ZL2019205132024	April 16, 2019	April 15, 2029
34.	New Type of Battery Cell (一種新型電池電芯)	Utility Model	The Company and REPT Qingchuang	PRC	ZL2019214231103	August 29, 2019	August 28, 2029

No	Patent Name	Type	Patent Holder	Jurisdiction of Registration	Patent Number	Date of Application	Expiry Date
35.	Power Battery Top Cover, Adapter Sheet and Power Battery (動力電池頂蓋、轉接片及動力電池)	Utility Model	The Company and REPT Qingchuang	PRC	ZL201922346021X	December 24, 2019	December 23, 2029
36.	Anti-collision Block Structure of High-voltage Cathode and Anode Terminals of Battery Pack (一種電池包高壓正負極端子的防撞塊結構)	Utility Model	The Company and REPT Qingchuang	PRC	ZL2020233029660	December 30, 2020	December 29, 2030
37.	Integrated Liquid Cooling Battery Case Tray (集成式液冷電池箱體託盤)	Utility Model	The Company and REPT Qingchuang	PRC	ZL2021206150192	March 25, 2021	March 24, 2031
38.	Battery Module Outer Frame and Battery Module (電池模組外框和電池模組)	Utility Model	The Company and REPT Qingchuang	PRC	ZL2021206709820	April 1, 2021	March 31, 2031
39.	Air-cooling Mechanism for Battery Pack Heat Dissipation (一種用於電池包散熱的風冷機構)	Utility Model	REPT Qingchuang	PRC	ZL2021228153535	November 17, 2021	November 16, 2031
40.	Battery Case and Battery Pack of Integrated Cooling System (一種集成冷卻系統的電池箱體及電池包)	Utility Model	REPT Qingchuang	PRC	ZL2021233749914	December 29, 2021	December 28, 2031
41.	Easy-to-stack Multi-row Battery Module (一種易於堆疊的多排電池模組)	Utility Model	The Company and REPT Qingchuang	PRC	ZL2021225286342	October 20, 2021	October 19, 2031

No	Patent Name	Type	Patent Holder	Jurisdiction of Registration	Patent Number	Date of Application	Expiry Date
42.	Battery Module and Electrical Equipment (電池模組和電氣設備)	Utility Model	The Company	PRC	ZL2022211980520	May 17, 2022	May 16, 2032
43.	Sealing Component for Battery Liquid Injection Hole and Secondary Battery (一種電池注液孔密封組件及二次電池)	Utility Model	REPT Qingchuang	PRC	ZL2021229095147	November 25, 2021	November 24, 2031
44.	Power Battery Top Cover and Power Battery (動力電池頂蓋以及動力電池)	Utility Model	REPT Qingchuang	PRC	ZL2021232133892	December 20, 2021	December 19, 2031
45.	Secondary Battery and its Current Collector (二次電池及其集流片)	Utility Model	The Company and REPT Qingchuang	PRC	ZL2022204561556	February 28, 2022	February 27, 2032
46.	Holder for Electrode Pole Pieces (一種電池極片支架)	Invention	BatteroTech Shanghai	PRC	ZL2019101044955	February 1, 2019	January 31, 2039
47.	Secondary Batter, Top Cover Assembly and the Assembly Method (二次電池、頂蓋組件及其裝配方法)	Invention	BatteroTech Shanghai	PRC	ZL2020110898986	October 13, 2020	October 12, 2040
48.	Lithium-ion Square Modules and Electric Vehicles (鋰離子方形模組和電動車輛)	Invention	BatteroTech Shanghai	PRC	ZL202011107382X	October 16, 2020	October 15, 2040
49.	Composite Substrates and Their Preparation Methods, Batteries and Electric Vehicles (複合基材及其製備方法、電池和電動車輛)	Invention	BatteroTech Shanghai	PRC	ZL2020111330829	October 21, 2020	October 20, 2040

No	Patent Name	Type	Patent Holder	Jurisdiction of Registration	Patent Number	Date of Application	Expiry Date
50.	Composite Substrates, Composite Substrate Preparation Methods, Batteries and Electric Vehicles (複合基材、複合基材製備方法、電池和電動車輛)	Invention	BatteroTech Shanghai	PRC	ZL2020112635788	November 12, 2020	November 11, 2040
51.	Embossing Device (一種壓花裝置)	Invention	BatteroTech Shanghai	PRC	ZL2021214491574	June 28, 2021	June 27, 2041
52.	Lithium-ion Batteries and Electric Vehicles (鋰離子電池和電動汽車)	Utility Model	BatteroTech Shanghai	PRC	ZL2020211446197	June 18, 2020	June 17, 2040
53.	Cells and Batteries (電芯和電池)	Utility Model	BatteroTech Shanghai	PRC	ZL2020211773803	June 22, 2020	June 21, 2040
54.	Cell Structure and Electric Vehicles (電芯結構和電動車輛)	Utility Model	BatteroTech Shanghai	PRC	ZL2020218202598	August 26, 2020	August 25, 2040
55.	Cell Structure, Traction Battery and Electric Vehicles (電芯結構、動力電池和電動車輛)	Utility Model	BatteroTech Shanghai	PRC	ZL2020218842950	September 1, 2020	August 31, 2040
56.	Energy Storage Modules and Electric Vehicles (儲能模組和電動車輛)	Utility Model	BatteroTech Shanghai	PRC	ZL2020223792082	October 22, 2020	October 21, 2040
57.	Secondary Batteries and Electric Vehicles (二次電池及電動車輛)	Utility Model	BatteroTech Shanghai	PRC	ZL2020225259641	November 4, 2020	November 3, 2040

No	Patent Name	Type	Patent Holder	Jurisdiction of Registration	Patent Number	Date of Application	Expiry Date
58.	New Explosion-proof Valve Structure for Secondary Battery (一種二次電池新型防爆閥結構)	Utility Model	BatteroTech Shanghai	PRC	ZL2020226694768	November 17, 2020	November 16, 2040
59.	Top Cover Structure and Battery (頂蓋結構及電池)	Utility Model	BatteroTech Shanghai	PRC	ZL2020230436025	December 16, 2020	December 15, 2040
60.	Bare Cell Structure, Battery Module and Automotive (裸電芯結構、電池模組和汽車)	Utility Model	BatteroTech Shanghai	PRC	ZL2020229890515	December 11, 2020	December 10, 2040
61.	Cell Structure, Secondary Battery and Automotive (電芯結構、二次電池和汽車)	Utility Model	BatteroTech Shanghai	PRC	ZL202022989824X	December 11, 2020	December 10, 2040
62.	Hot-swap Structure and Battery (熱換結構與電池)	Utility Model	BatteroTech Shanghai	PRC	ZL2020231461058	December 23, 2020	December 22, 2040
63.	Self-heating Battery and Battery Pack (自加熱電池及電池包)	Utility Model	BatteroTech Shanghai	PRC	ZL2021204570781	March 2, 2021	March 1, 2041
64.	Secondary Battery with Positioning Side Plate Structure (一種二次電池帶定位側板結構)	Utility Model	BatteroTech Shanghai	PRC	ZL2021204884789	March 8, 2021	March 7, 2041
65.	Top Cover Structure and Secondary Battery (頂蓋結構和二次電池)	Utility Model	BatteroTech Shanghai	PRC	ZL2021234394539	December 31, 2021	December 30, 2041
66.	Secondary Battery and Battery Module (一種二次電池及電池模組)	Utility Model	BatteroTech Shanghai	PRC	ZL2021234398667	December 31, 2021	December 30, 2041

No	Patent Name	Type	Patent Holder	Jurisdiction of Registration	Patent Number	Date of Application	Expiry Date
67.	Tab-top-cover Connection Structure and Secondary Battery (一種極耳與頂蓋連接結構及二次電池)	Utility Model	BatteroTech Shanghai	PRC	ZL2021234390275	December 31, 2021	December 30, 2041
68.	Secondary Battery Explosion-proof Valve Cover Insulated Plastic (一種二次電池防爆閥罩蓋絕緣塑膠)	Utility Model	BatteroTech Shanghai	PRC	ZL2021234383801	December 31, 2021	December 30, 2041
69.	Double Cooling Battery Pack Structure, Battery Cooling System and Vehicles (雙層冷卻電池包結構、電池冷卻系統及車輛)	Utility Model	BatteroTech Shanghai	PRC	ZL2022203580117	February 22, 2022	February 21, 2042
70.	On-board Equipment and Vehicles (車載設備和車輛)	Utility Model	BatteroTech Shanghai	PRC	ZL2022202504883	January 28, 2022	January 27, 2042
71.	Hybrid Power Battery Module and Battery Pack (混裝動力電池模組及電池包)	Utility Model	BatteroTech Shanghai	PRC	ZL2022202349905	January 27, 2022	January 26, 2042
72.	Battery Modules (電池模組)	Utility Model	BatteroTech Shanghai	PRC	ZL2022212238665	May 19, 2022	May 18, 2042
73.	Liquid-cooling Battery Pack Temperature Sampling Method (一種液冷電池包溫度採樣方式)	Utility Model	BatteroTech Shanghai	PRC	ZL2022217905684	July 11, 2022	July 10, 2042

No	Patent Name	Type	Patent Holder	Jurisdiction of Registration	Patent Number	Date of Application	Expiry Date
74.	Lithium-ion Batteries and Protection Methods to Improve the Safety Performance of Lithium-ion Batteries (鋰離子電池及提高鋰離子電池安全性能的防護方法)	Invention	REPT Qingchuang and REPT Energy	PRC	ZL2021100422060	January 13, 2021	January 12, 2041
75.	Square Lithium-ion Battery (一種方形鋰離子電池)	Invention	REPT Qingchuang	PRC	ZL2021115647955	December 20, 2021	December 19, 2041
76.	Rapid Determination Method of Cycle Life of LFP Battery Products (一種磷酸鐵鋰電池循環壽命的快速判定方法)	Invention	the Company	PRC	ZL202210462529X	April 29, 2022	April 28, 2042
77.	Ternary Cathode Material and Applications (一種三元正極材料和應用)	Invention	REPT Qingchuang	PRC	ZL202210590035X	May 26, 2022	May 25, 2042
78.	Secondary Batter (二次電池)	Invention	the Company	PRC	ZL2022114036516	November 10, 2022	November 9, 2042
79.	Adapter Sheet of Secondary Batter (二次電池的轉接片)	Invention	the Company	PRC	ZL2022114028115	November 10, 2022	November 9, 2042
80.	Fault Self-diagnosis System, Method and Energy Storage system for High Voltage Interlock Circuits (高壓互鎖回路的故障自診斷系統、方法和儲能系統)	Invention	the Company	PRC	ZL202211506811X	November 29, 2022	November 28, 2042

No	Patent Name	Type	Patent Holder	Jurisdiction of Registration	Patent Number	Date of Application	Expiry Date
81.	Welding Method of Secondary Battery and the Battery (一種二次電池的焊接方法及其電池)	Invention	the Company	PRC	ZL202211507692X	November 29, 2022	November 28, 2042
82.	Preparation Method of in situ Polymerized Semi-solid State Battery (一種原位聚合半固態電池的制備方法)	Invention	the Company	PRC	ZL2022115059248	November 29, 2022	November 28, 2042
83.	Battery Cell, Battery and Power-using Devices (電池電芯、電池及用電裝置)	Invention	the Company	PRC	ZL2022115079152	November 29, 2022	November 28, 2042
84.	Welding Method of Battery and the Battery (一種電池的焊接方法及其電池)	Invention	the Company	PRC	ZL2022115076756	November 29, 2022	November 28, 2042
85.	A Silicon Negative Electrode Material and its Preparation Method and Application (一種硅負極材料及其制備方法和應用)	Invention	the Company	PRC	ZL2022115065997	November 29, 2022	November 28, 2042
86.	Battery Cell, Secondary Battery and Welding Method of Secondary Battery (一種電池電芯、二次電池及二次電池的焊接方法)	Invention	the Company	PRC	ZL2022115076915	November 29, 2022	November 28, 2042
87.	Secondary Batter (一種二次電池)	Utility Model	the Company	PRC	ZL2022216839295	June 30, 2022	June 29, 2032

No	Patent Name	Type	Patent Holder	Jurisdiction of Registration	Patent Number	Date of Application	Expiry Date
88.	Secondary Battery Assembly Components and Secondary Battery (用於二次電池的裝配組件和二次電池)	Utility Model	the Company and REPT Qingchuang	PRC	ZL2022230001304	November 10, 2022	November 9, 2032
89.	Insulation Gaskets for Secondary Batter (二次電池的絕緣墊片)	Utility Model	the Company and REPT Qingchuang	PRC	ZL2022229950553	November 10, 2022	November 9, 2032
90.	Secondary Batter (二次電池)	Utility Model	the Company and REPT Qingchuang	PRC	ZL202222987617X	November 10, 2022	November 9, 2032
91.	Top Cover of Secondary Batter and Secondary Batter (二次電池的頂蓋組件和二次電池)	Utility Model	the Company and REPT Qingchuang	PRC	ZL2022232718928	December 6, 2022	December 5, 2032

As at the Latest Practicable Date, the Group had applied for registration the following patents which are material to its business:

No	Patent Name	Type	Applicant	Jurisdiction of Registration	Application Number	Date of Application
1.	Online Calibration Method, System, Equipment and Medium for Electronic Control Units (適用於電子控制單元的在線標定方法、系統、設備及介質)	Invention	The Company	PRC	2021105674975	May 24, 2021
2.	Secondary Battery Component and Secondary Battery (一種二次電池組件及二次電池)	Utility Model	The Company	PRC	2022212793216	May 25, 2022

No	Patent Name	Type	Applicant	Jurisdiction of Registration	Application Number	Date of Application
3.	Top Cover Structure of Secondary Battery and Secondary Battery (一種二次電池的頂蓋結構及二次電池)	Utility Model	The Company	PRC	202221320469X	May 25, 2022
4.	Energy Storage System with Backup Fire Fighting Device (一種具有備用消防裝置的儲能系統)	Utility Model	The Company	PRC	2022215974425	June 23, 2022
5.	Integrated Liquid Cooling Plate and Battery Pack (一種集成液冷板及一種電池包)	Utility Model	The Company	PRC	2022214510762	June 10, 2022
6.	Three-side Liquid Cooling Structure for Battery Module and Battery Module (用於電池模組的三面液冷結構及電池模組)	Utility Model	The Company	PRC	2022211821365	May 17, 2022
7.	Secondary Battery Assembly Structure and Secondary Battery (一種二次電池裝配結構和二次電池)	Utility Model	The Company	PRC	2022212951633	May 25, 2022
8.	Multi-pole Lugs Coiled Cell and Battery (一種多極耳卷芯和電池)	Utility Model	BatteroTech Shanghai	PRC	202123243390X	December 22, 2021
9.	Winding Coiled Cell and Battery (一種捲繞型卷芯及電池)	Utility Model	BatteroTech Shanghai	PRC	2022202340332	January 28, 2022
10.	Coiled Cell and Battery (一種卷芯及電池)	Utility Model	BatteroTech Shanghai	PRC	2022200701158	January 12, 2022
11.	Double-layer Cooling Battery Pack Structure, Battery Cooling System and Vehicle (雙層冷卻電池包結構、電池冷卻系統及車輛)	Invention	BatteroTech Shanghai	PRC	2022101623199	February 22, 2022
12.	Vehicle Voltage Control System and its Control Method (車載電壓控制系統及其控制方法)	Invention	BatteroTech Shanghai	PRC	2022102784836	March 21, 2022
13.	Cell and Battery (電芯和電池)	Invention	BatteroTech Shanghai	PRC	2022104294969	April 22, 2022
14.	Battery Pack (一種電池包)	Invention	BatteroTech Shanghai	PRC	2022104666798	April 29, 2022

No	Patent Name	Type	Applicant	Jurisdiction of Registration	Application Number	Date of Application
15.	Battery Case (一種電池箱體)	Utility Model	BatteroTech Shanghai	PRC	2022216493850	June 28, 2022
16.	Battery Pack (一種電池包)	Utility Model	BatteroTech Shanghai	PRC	2022217940372	July 12, 2022
17.	Active Substance, Cathode Material, Cathode, Battery, Battery Device and Method (considering PCT) (活性物質、正極材料、正極、電池、電池裝置和方法(考慮PCT))	Invention	BatteroTech Shanghai	PRC	2022110198846	August 24, 2022
18.	Active Substance, Cathode Material, Cathode, Battery, Battery Device and Method (活性物質、正極材料、正極、電池、電池裝置和方法)	Invention	BatteroTech Shanghai	PRC	2022110211658	August 24, 2022
19.	Battery Module and Battery Pack (電池模組和電池包)	Utility Model	BatteroTech Shanghai	PRC	2022225000763	September 21, 2022
20.	New Type of Power Battery Insulation Mat (一種新型動力電池隔熱墊)	Utility Model	BatteroTech Shanghai	PRC	202222354169X	September 5, 2022
21.	Module Method for New Type of Power Battery Cell (一種新型動力電池電芯成組方式)	Utility Model	BatteroTech Shanghai	PRC	2022223359358	September 2, 2022
22.	Beam Component and Module Battery Pack (一種梁元件及成組電池包)	Invention	BatteroTech Shanghai	PRC	2022111519045	September 21, 2022
23.	Module Battery Pack of New Type of Battery (一種新型電池成組電池包)	Utility Model	BatteroTech Shanghai	PRC	2022225056059	September 21, 2022

Software copyrights

As of the Latest Practicable Date, the Group had registered the following software copyrights which are material to its business:

No	Software Name	Registrant	Registration Number	Date of Registration
1.	MES System for Energy Storage Lithium Battery Based on Digital Workshop Transformation V1.0 (基於數字化車間改造的儲能鋰電池MES系統V1.0)	The Company	2020SR1532672	October 30, 2020
2.	PACK Electrical Box EOL Automatic Test System V1.0 (PACK電箱EOL自動測試系統V1.0)	The Company	2020SR1656039	November 26, 2020
3.	Battery Module Fully Automatic Assembly and Welding Control Platform V1.0 (電池模組全自動裝配焊接控制平台V1.0)	The Company	2020SR1655952	November 26, 2020
4.	Battery Module Intelligent Test System V1.0 (電池模組智能測試系統V1.0)	The Company	2020SR1655953	November 26, 2020
5.	Traction Battery Industrial Internet Big Data Analysis System V1.0 (動力電池工業互聯網大數據分析系統V1.0)	The Company	2020SR1655016	November 26, 2020
6.	High-speed Winding Intelligent Control System V1.0 (高速卷繞智能控制系統V1.0)	The Company	2020SR1656038	November 26, 2020
7.	High Vacuum Cell Oven Drying Intelligent Management System V1.0 (高真空電芯烘烤智能管理系統V1.0)	The Company	2020SR1655017	November 26, 2020
8.	Continuous Multi-tab Die Cutting Intelligent Control System V1.0 (連續多極耳模切智能控制系統V1.0)	The Company	2020SR1655001	November 26, 2020
9.	Fully Automatic Battery Forming System V1.0 (全自動電池化成系統V1.0)	The Company	2020SR1656342	November 26, 2020
10.	Fully Automatic Battery Filling and Sealing Control System V1.0 (全自動電池注液封口控制系統V1.0)	The Company	2020SR1656427	November 26, 2020
11.	Fully Automatic High-speed Extrusion Coating System V1.0 (全自動高速擠壓塗布系統V1.0)	The Company	2020SR1656345	November 26, 2020
12.	Artificial Intelligence Traction Battery Big Data Platform V1.0 (人工智能動力電池大數據平台V1.0)	The Company	2020SR1656344	November 26, 2020
13.	IoT Intelligent BMS Battery Management System V1.0 (物聯網智能BMS電池管理系統V1.0)	The Company	2020SR1656343	November 26, 2020

No	Software Name	Registrant	Registration Number	Date of Registration
14.	Fully Automatic Battery Capacity Grading System V1.0 (全自動電池分容系統V1.0)	The Company	2020SR1667124	November 27, 2020
15.	REPT Factory Power Meter Riding Management System (瑞浦廠務電量採集管理系統)	The Company	2021SR1066510	July 20, 2021
16.	REPT Lithium Battery Secondary Frequency Modulation Software (瑞浦能源鋰電池二次調頻軟件)	The Company and REPT Qingchuang	2021SR1018603	July 12, 2021
17.	REPT Battery Monitoring Software (瑞浦能源電池監控軟件)	The Company and REPT Qingchuang	2021SR1014059	July 9, 2022
18.	REPT Global Data Monitoring Software V1.1 (瑞浦能源全球數據監控軟件V1.1)	The Company and REPT Qingchuang	2021SR1022659	July 12, 2022
19.	REPT Format Converter Software V1.0 (瑞浦格式轉換器軟件V1.0)	The Company and REPT Qingchuang	2021SR1018602	July 12, 2022
20.	Test Management Platform Software (瑞浦能源測試管理平臺軟件)	The Company and REPT Qingchuang	2021SR1131565	July 30, 2022

DISCLOSURE OF INTERESTS

Disclosure of Interests of Directors, Supervisors and Chief Executive of the Company

Immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), the interests and/or short positions (as applicable) of the Directors, Supervisors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company and any interests and/or short positions (as applicable) in shares, underlying Shares or debentures of any of the Company's associated corporations (within the meaning of Part XV of the SFO) which (1) will have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions (as applicable) which they are taken or deemed to have under such provisions of the SFO), (2) will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (3) will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange, in each case once the Shares are [**REDACTED**] on the Hong Kong Stock Exchange, will be as follows:

Interests/Short Positions in the Shares

Name of Shareholder	Nature of Interest	Description of Shares	Number of Shares Held or Interested	Approximate Percentage of Shareholding in the Domestic Shares	Approximate Percentage of Shareholding in the Total Issued Share Capital
				(%)	(%)
Dr. Cao Hui	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Note:

[**REDACTED**]

Interests/Short Positions in associated corporations

Name of Shareholder	Name of Associated Corporation	Nature of Interest	Amount of Registered Capital Held	Approximate Percentage of Interest as of the Latest Practicable Date
Dr. Cao Hui	Yongqing Technology	Beneficial owner	RMB5,800,000	1%
Dr. Wu Yanjun	Qingtuo Group Co., Ltd. (青拓集團有限公司)(1)	Beneficial owner	RMB4,400,000	0.5%
Mr. Hu Xiaodong	Yongqing Technology	Beneficial owner	RMB8,700,000	1.5%
Mr. Wang Haijun	Zhejiang Yongtuo New Material Technology Co., Ltd. (浙江永拓新材料科技有限公司)(2)	Beneficial owner	RMB1,600,000	2%

Notes:

(1) As of the Latest Practicable Date, Tsingshan Group is the largest shareholder of Qingtuo Group Co., Ltd. with shareholding of 48.85% in Qingtuo Group Co., Ltd.

(2) As of the Latest Practicable Date, Zhejiang Yongtuo New Material Technology Co., Ltd. is a non-wholly owned subsidiary of Yongqing Technology.

Save as disclosed above, none of the Directors, Supervisors or the chief executive of the Company will, immediately following the completion of the [**REDACTED**], have an interest and/or short position (as applicable) in the Shares, underlying Shares or debentures of the Company or any interests and/or short positions (as applicable) in the shares, underlying Shares or debentures of the Company's associated corporations (within the meaning of Part XV of the SFO) which (i) will have to be notified to the Company and the Hong Kong Stock

Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), (ii) will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (iii) will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange, in each case once the Shares are [**REDACTED**] on the Hong Kong Stock Exchange.

Disclosure of Interests of Substantial Shareholders

For information on the persons who will, immediately following the completion of the [**REDACTED**], have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at general meetings of the Company or of any member of the Group, see "Substantial Shareholders" and "– Our Subsidiaries".

FURTHER INFORMATION ABOUT DIRECTORS AND SUPERVISORS

Particulars of the Service Contracts

Pursuant to Rules 19A.54 and 19A.55 of the Hong Kong Listing Rules, we have entered into or will enter into a contract with each of our Directors and Supervisors in respect of, among other things (i) compliance of relevant laws and regulations, (ii) observance of the Articles of Association, and (iii) provisions on arbitration.

Save as disclosed above, none of the Directors or Supervisors has entered into any service contracts as a director or supervisor with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

Remuneration of Directors and Supervisors

For details of the remuneration of Directors and Supervisors, see "Directors, Supervisors and Senior Management – Remuneration of the Directors, Supervisors and Senior Management" and Note 8 in "Appendix I – Accountants' Report".

Agency Fees or Commissions Received

The [**REDACTED**] will receive an [**REDACTED**] in connection with the [**REDACTED**], as detailed in "[**REDACTED**]". Save in connection with the [**REDACTED**], no [**REDACTED**], [**REDACTED**], brokerages or other special terms have been granted by the Group to any person (including the Directors, promoters and experts referred to in "Other

Information – Qualifications and Consents of Experts" below) in connection with the issue or sale of any capital or security of the Company or any member of the Group within the two years immediately preceding the date of this document.

Within the two years immediately preceding the date of this document, no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription for any share in or debentures of the Company.

Personal Guarantees

The Directors have not provided personal guarantees in favor of lenders in connection with banking facilities granted to the Group.

Disclaimers

(a) Save as disclosed in the section headed "History and Development", none of the Directors, Supervisors nor any of the experts referred to in "Other Information – Qualifications and Consents of Experts" below has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by, or leased to, any member of the Group, or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

(b) Save in connection with the [**REDACTED**], none of the Directors, Supervisors nor any of the experts referred to in "Other Information – Qualifications and Consents of Experts" below, is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of the Group.

(c) Neither the Controlling Shareholders nor the Directors are interested in any business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the business of the Group.

(d) No cash, securities or other benefit has been paid, allotted or given within the two years preceding the date of this document to any promoter of the Company nor is any such cash, securities or benefit intended to be paid, allotted or given on the basis of the [**REDACTED**] or related transactions as mentioned.

(e) So far as is known to the Directors, save as disclosed in the section headed "Business", none of the Directors or their associates or any Shareholders who are expected to be interested in 5% or more of the issued share capital of the Company has any interest in the five largest customers or the five largest suppliers of the Group.

THE SHARE INCENTIVE SCHEMES

The Share Incentive Schemes of the Company

The Company has adopted two share incentive schemes, namely the 2021 Share Incentive Scheme of the Company, which was approved and adopted in August 2021, and the 2022 Share Incentive Scheme of the Company, which was approved and adopted in March 2022 (together, the "**Share Incentive Schemes of the Company**"). The below is a summary of the principal terms of the Share Incentive Schemes of the Company.

Purposes

The purposes of the Share Incentive Schemes of the Company are, among other things, (i) to establish an effective incentive mechanism to fully mobilize the enthusiasm of the Company's senior management and core employees, (ii) to further enhance cohesion and sense of belonging of the Company, and (iii) to attract and retain outstanding employees needed to achieve the long-term objectives of the Company, and ensure the long-term development of the Company.

Participants

The participants under the Share Incentive Schemes of the Company (the "**Share Incentive Scheme Participants of the Company**") include the following personnel of the Company and its subsidiaries: (i) senior management, (ii) middle-level management, (iii) core technical personnel, (iv) business backbone employees, and (v) other employees and consultants deemed entitled to interests under the Share Incentive Scheme of the Company by the Board.

The list of the Share Incentive Scheme Participants of the Company shall be proposed by the management of the Company and its eligible subsidiaries, respectively, and approved by the Board. Key criteria for determining the Share Incentive Scheme Participants of the Company are, among other things, their performance, capabilities, title, work attitude, teamwork spirit, length of service and level of acceptance of the culture of the Company.

Scheme Limit

Interests that correspond to a total of 360,600,000 Shares may be granted under the Share Incentive Schemes of the Company. As of the Latest Practicable date, interests that correspond to 340,975,500 Shares have been granted to 15 participants of the 2021 Share Incentive Scheme of the Company (the "**2021 Share Incentive Scheme Participants of the Company**"), interests that correspond to 18,407,312 Shares have been granted to 264 participants of the 2022 Share Incentive Scheme of the Company (the "**2022 Share Incentive Scheme Participants of the Company**", together with the 2021 Share Incentive Scheme Participants of the Company, the "**Share Incentive Scheme Participants of the Company**"), and the remaining interests that correspond to 1,217,188 Shares have been transferred to Ruitu Energy in accordance with the terms of the Share Incentive Scheme Participants of the Company due to cessation of employment of relevant participants. For details of the Share Incentive Scheme Participants of the Company, see "– Details of the Interests Granted under the Share Incentive Schemes of the Company".

Grants of Interests

In accordance with the procedures and principles stipulated in the management measures for the Share Incentive Schemes of the Company, the Share Incentive Scheme Participants of the Company will be granted with the partnership interests in the employee shareholding platforms, namely Wenzhou Ruili, Wenzhou Qingshan, Wenzhou Fuchen or Shanghai Fuqin, so that the Share Incentive Scheme Participants of the Company could hold the indirect interests of the Company to achieve the purpose of incentives.

Subject to the terms and conditions of the Share Incentive Schemes of the Company, the amount of the interests to be granted to each Share Incentive Scheme Participant of the Company shall be proposed by the management of the Company and its eligible subsidiaries, respectively, and approved by the Board.

Each Share Incentive Scheme Participant of the Company shall enter into partnership agreement with the applicable platforms and execute other necessary documents (the "**Share Incentive Scheme Relevant Agreements of the Company**") with respect to grants of interests under the Share Incentive Schemes of the Company. The Share Incentive Scheme Participant shall make contribution to the relevant platform based on the total amount of contribution of the platform and his/her proportion of partnership interests granted under the Share Incentive Schemes of the Company.

Lock-up Period and Entitlement to Dividends

In order to achieve long-term incentive effect, the Board may stipulate appropriate lock-up period with respect to the limited partnership interests in the platforms. The Share Incentive Scheme Participants of the Company may be entitled to dispose of the partnership interests after the expiration of lock-up period and in accordance with the terms of the partnership agreement or the Share Incentive Schemes of the Company.

Dividends declared in respect of the partnership interests in the platforms shall belong to the Share Incentive Scheme Participants of the Company in accordance with their proportion of partnership interests granted under the Share Incentive Schemes of the Company.

Administration of the Share Incentive Schemes of the Company

The Board shall approve the list of the Share Incentive Scheme Participants of the Company and the amount of interests to be granted. The Board is responsible for the execution of the grants of interests. After the Share Incentive Scheme Participant of the Company becomes a holder of interests, he/she shall also be subject to the terms and conditions as specified in the Share Incentive Scheme Relevant Agreements of the Company.

Limited Transferability

Unless otherwise permitted by the partnership agreement or the Share Incentive Schemes of the Company, the Share Incentive Scheme Participants of the Company may not withdraw or dispose of interests granted, including but not limited to transfer, sale, pledge, or mortgage such interests within the period specified in the Share Incentive Schemes of the Company.

Cessation of Employment, Breach of Obligations to the Company or Death

If a Share Incentive Scheme Participant of the Company ceases to be employed by the Group or his/her consultancy relationship with the Group is terminated, subject to conditions set out in the Share Incentive Schemes of the Company, the Company has the right to request the Share Incentive Scheme Participants of the Company to transfer all the interests, or all the interests granted but unlocked then held by him/her to Yongqing Technology or other designated entities (including but not limited to Ruitu Energy and Ruizhou Energy).

If a Share Incentive Scheme Participant of the Company breached his/her fiduciary duties, non-competition agreement, non-disclosure agreement, or other obligations to the Company as listed in the Share Incentive Schemes of the Company, the Company has the right to request the Share Incentive Scheme Participant of the Company to transfer all the interests then held by him/her to Yongqing Technology or other designated entities (including but not limited to Ruitu Energy and Ruizhou Energy).

If a Share Incentive Scheme Participant of the Company dies or is declared to be dead according to applicable laws, Yongqing Technology or other designated entities (including but not limited to Ruitu Energy and Ruizhou Energy) shall repurchase all partnership interests then held by such Share Incentive Scheme Participant of the Company.

Divorce

In the case of divorce, the interests granted or granted but unlocked shall not be transferred to third parties by property division. The consequent financial issues shall be handled by the parties involved according to law, and no claim may be made to the Company.

Details of the Interests Granted under the Share Incentive Schemes of the Company

The below sets out the details of the interests granted under the Share Incentive Schemes of the Company:

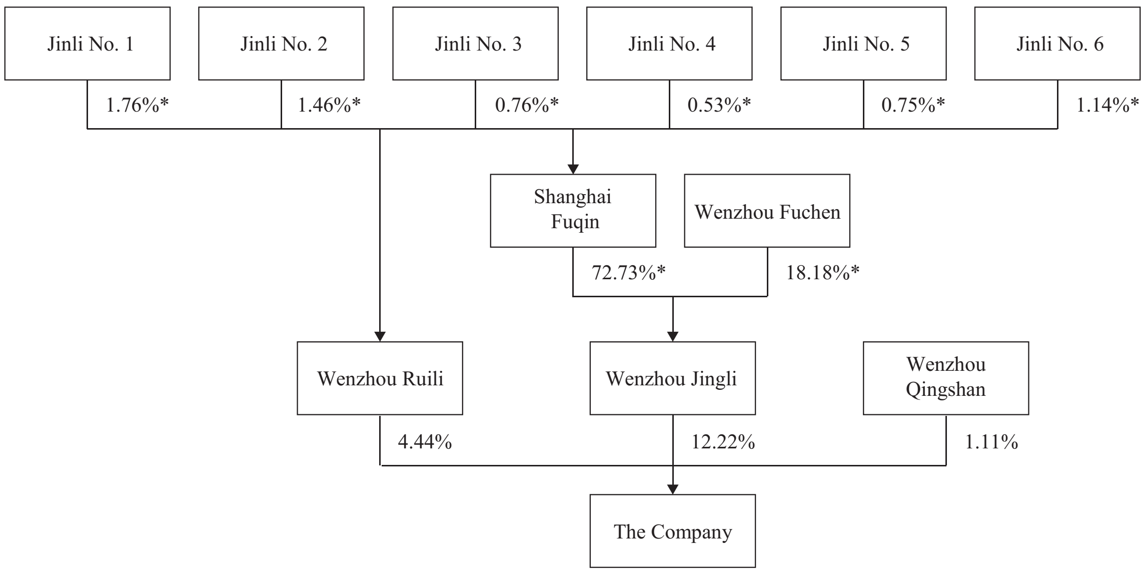
Name of the Participant	Percentage of capital contribution in Wenzhou Ruili	Percentage of capital contribution in Wenzhou Qingshan	Percentage of capital contribution in Shanghai Fuqin	Percentage of capital contribution in Wenzhou Fuchen	Percentage of capital contribution in Jinli No.1
Directors					
Dr. Cao Hui	40.4776%		41.1026%		
Ms. Huang Jiehua					
Supervisor					
Ms. Jin Shanyan					2.1939%
Senior Management of the Company					
Dr. Hou Min	12.5000%		12.5000%		
Mr. Yu Zhaoyu	12.5000%		12.5000%		
Mr. Cao Kai	6.6667%		6.6667%		
Other Participants					
Employees and a consultant of the Group	21.4583%	99.9999%	20.8333%	99.9999%	97.8050 %
Total	**93.6026%**	**99.9999%**	**93.6026%**	**99.9999%**	**99.9989 %**

Name of the Participant	Percentage of capital contribution in Jinli No.2	Percentage of capital contribution in Jinli No.3	Percentage of capital contribution in Jinli No.4	Percentage of capital contribution in Jinli No.5	Percentage of capital contribution in Jinli No.6
Directors					
Dr. Cao Hui					45.8254%
Ms. Huang Jiehua				26.9518%	
Supervisor					
Ms. Jin Shanyan					
Senior Management of the Company					
Dr. Hou Min					
Mr. Yu Zhaoyu					
Mr. Cao Kai					
Other Participants					
Employees of the Group	97.4186%	96.4553%	97.1695%	73.0475 %	53.4617%
Total	**97.4186%**	**96.4553%**	**97.1695%**	**99.9993 %**	**99.2871%**

(1) The Company is in the process of updating relevant registrations with respect to the shareholding changes of the employee shareholding platforms.

Structure of the Employee Shareholding Platforms

The structure of the employee shareholding platforms of the Share Incentive Schemes of the Company as at the Latest Practicable Date is set out below:



** representing limited partnership interests*

The below sets out the details of the partnership structures of each of the employee shareholding platforms of the Share Incentive Schemes of the Company:

Partner of Wenzhou Ruili	General/Limited partnership	Percentage of capital contribution in Wenzhou Ruili
Dr. Cao Hui (as a Share Incentive Scheme Participant of the Company)	General partner	40.48%
Other Share Incentive Scheme Participants of the Company	Limited partner	53.13%
Ruitu Energy	Limited partner	0.0001%
Jinli No. 1	Limited partner	1.76%
Jinli No. 2	Limited partner	1.46%
Jinli No. 3	Limited partner	0.76%
Jinli No. 4	Limited partner	0.53%
Jinli No. 5	Limited partner	0.75%
Jinli No. 6	Limited partner	1.14%

Partner of Wenzhou Qingshan	General/Limited partnership	Percentage of capital contribution in Wenzhou Qingshan
Mr. Zhang Wutang (as a Share Incentive Scheme Participant of the Company)	General partner	70.42%
Ruitu Energy	Limited partner	0.0001%
Other Share Incentive Scheme Participants of the Company	Limited partner	29.58%

Partner of Shanghai Fuqin	General/Limited partnership	Percentage of capital contribution in Shanghai Fuqin
Ruitu Energy	General partner	0.0001%
Share Incentive Scheme Participants of the Company	Limited partner	93.60%
Jinli No. 1	Limited partner	1.76%
Jinli No. 2	Limited partner	1.46%
Jinli No. 3	Limited partner	0.76%
Jinli No. 4	Limited partner	0.53%
Jinli No. 5	Limited partner	0.75%
Jinli No. 6	Limited partner	1.14%

Partner of Wenzhou Fuchen	General/Limited partnership	Percentage of capital contribution in Wenzhou Fuchen
Ruitu Energy	General partner	0.0001%
Share Incentive Scheme Participants of the Company	Limited partner	99.9999%

Partner of Jinli No. 1	General/Limited partnership	Percentage of capital contribution in Jinli No. 1
Ruizhou Energy	General partner	0.0011%

Partner of Jinli No. 1	General/Limited partnership	Percentage of capital contribution in Jinli No. 1
Share Incentive Scheme Participants of the Company	Limited partner	99.9989%

Partner of Jinli No. 2	General/Limited partnership	Percentage of capital contribution in Jinli No. 2
Ruizhou Energy	General partner	2.58%
Share Incentive Scheme Participants of the Company	Limited partner	97.42%

Partner of Jinli No. 3	General/Limited partnership	Percentage of capital contribution in Jinli No. 3
Ruizhou Energy	General partner	3.54%
Share Incentive Scheme Participants of the Company	Limited partner	96.46%

Partner of Jinli No. 4	General/Limited partnership	Percentage of capital contribution in Jinli No. 4
Ruizhou Energy	General partner	2.8305%
Share Incentive Scheme Participants of the Company	Limited partner	97.1695%

Partner of Jinli No. 5	General/Limited partnership	Percentage of capital contribution in Jinli No. 5
Ruizhou Energy	General partner	0.0007%
Share Incentive Scheme Participants of the Company	Limited partner	99.9993%

Partner of Jinli No. 6	General/Limited partnership	Percentage of capital contribution in Jinli No. 6
Ruizhou Energy	General partner	0.71%
Share Incentive Scheme Participants of the Company	Limited partner	99.29%

(1) The Company is in the process of updating relevant registrations with respect to the shareholding changes of the employee shareholding platforms.

The Share Incentive Scheme of BatteroTech Shanghai

BatteroTech Shanghai has adopted a share incentive scheme, namely the 2022 Share Incentive Scheme, which was approved and adopted in November 2022 (the "**Share Incentive Scheme of BatteroTech Shanghai**"). The below is a summary of the principal terms of the Share Incentive Scheme of BatteroTech Shanghai.

Purposes

The purposes of the Share Incentive Scheme of BatteroTech Shanghai are, among other things, (i) to establish an effective incentive mechanism to fully mobilize the enthusiasm of BatteroTech Shanghai's senior management and core employees, (ii) to further enhance cohesion and sense of belonging of BatteroTech Shanghai, and (iii) to attract and retain outstanding employees needed to achieve the long-term objectives of BatteroTech Shanghai, and ensure the long-term development of BatteroTech Shanghai.

Participants

The participants under the Share Incentive Scheme of BatteroTech Shanghai (the "**Share Incentive Scheme Participants of BatteroTech Shanghai**") include the following personnel of BatteroTech Shanghai and its subsidiaries: (i) senior management, (ii) middle-level management, (iii) core technical personnel, (iv) business backbone employees, and (v) other employees and consultants deemed entitled to interests under the Share Incentive Scheme of BatteroTech Shanghai by the board of directors of BatteroTech Shanghai ("**Board of BatteroTech Shanghai**").

The list of the Share Incentive Scheme Participants of BatteroTech Shanghai shall be proposed by the management of BatteroTech Shanghai and approved by the Board of BatteroTech Shanghai. Key criteria for determining the Share Incentive Scheme Participants of BatteroTech Shanghai are, among other things, their performance, capabilities, title, work attitude, teamwork spirit, length of service and level of acceptance of the culture of BatteroTech Shanghai.

Scheme Limit

Interests that correspond to the capital contribution of RMB24,342,434 in Wenzhou Chenshan may be granted under the Share Incentive Scheme of BatteroTech Shanghai. As of the Latest Practicable Date, all such interests have been granted to 86 participants of the Share Incentive Scheme of BatteroTech Shanghai. For details of the Share Incentive Scheme Participants of BatteroTech Shanghai, see "– Details of the Interests Granted under the Share Incentive Scheme of BatteroTech Shanghai".

Grants of Interests

In accordance with the procedures and principles stipulated in the management measures for the Share Incentive Scheme of BatteroTech Shanghai, the Share Incentive Scheme Participants of BatteroTech Shanghai will be granted with the limited partnership interests in the platforms so that the Share Incentive Scheme Participants of BatteroTech Shanghai could hold the indirect interests of BatteroTech Shanghai to achieve the purpose of incentives.

Subject to the terms and conditions of the Share Incentive Scheme of BatteroTech Shanghai, the amount of the interests to be granted to each Share Incentive Scheme Participant of BatteroTech Shanghai shall be proposed by the management of BatteroTech Shanghai and approved by the Board of BatteroTech Shanghai.

Each Share Incentive Scheme Participant of BatteroTech Shanghai shall enter into partnership agreement with the platforms and execute other necessary documents (the "**Share Incentive Scheme Relevant Agreements of BatteroTech Shanghai**") with respect to grants of interests under the Share Incentive Scheme of BatteroTech Shanghai. The Share Incentive Scheme Participants of BatteroTech Shanghai shall make contribution to the relevant platform based on the total amount of contribution of the platform and his/her proportion of limited partnership interests granted under the Share Incentive Scheme of BatteroTech Shanghai.

Entitlement to Dividends

Dividends declared in respect of the partnership interests in Wenzhou Chenshan shall belong to the Share Incentive Scheme Participants of BatteroTech Shanghai in accordance with agreed proportion determined by relevant partnership agreement.

Administration of the Share Incentive Schemes of BatteroTech Shanghai

The Board of BatteroTech Shanghai shall approve the list of the Share Incentive Scheme Participants of BatteroTech Shanghai and the amount of interests to be granted. The Board of BatteroTech Shanghai is responsible for the execution of the grants of interests. After the Share Incentive Scheme Participant of BatteroTech Shanghai becomes a holder of interests, he/she shall also be subject to the terms and conditions as specified in the Share Incentive Scheme Relevant Agreements of BatteroTech Shanghai.

Limited Transferability

Unless otherwise permitted by the partnership agreement or the Share Incentive Scheme of BatteroTech Shanghai, the Share Incentive Scheme Participants of BatteroTech Shanghai may not withdraw or dispose of interests granted, including but not limited to transfer, sale, pledge, or mortgage such interests.

Cessation of Employment, Breach of Obligations to BatteroTech Shanghai or Death

If a Share Incentive Scheme Participant of BatteroTech Shanghai ceases to be employed by BatteroTech Shanghai or his/her consultancy relationship with BatteroTech Shanghai is terminated, subject to conditions set out in the Share Incentive Schemes, BatteroTech Shanghai has the right to request the Share Incentive Scheme Participants of BatteroTech Shanghai to transfer all the interests then held by him/her to Mr. Zhang Wutang ("**Mr. Zhang**") and/or other Share Incentive Scheme Participants of BatteroTech Shanghai designated by Mr. Zhang. Mr. Zhang is a director of BatteroTech Shanghai.

If a Share Incentive Scheme Participant of BatteroTech Shanghai breached his/her fiduciary duties, non-competition agreement, non-disclosure agreement, or other obligations to BatteroTech Shanghai as listed in the Share Incentive Scheme of BatteroTech Shanghai, BatteroTech Shanghai has the right to request the Share Incentive Scheme Participant of BatteroTech Shanghai to transfer all the interests then held by him/her to Mr. Zhang and/or other Share Incentive Scheme Participants of BatteroTech Shanghai designated by Mr. Zhang.

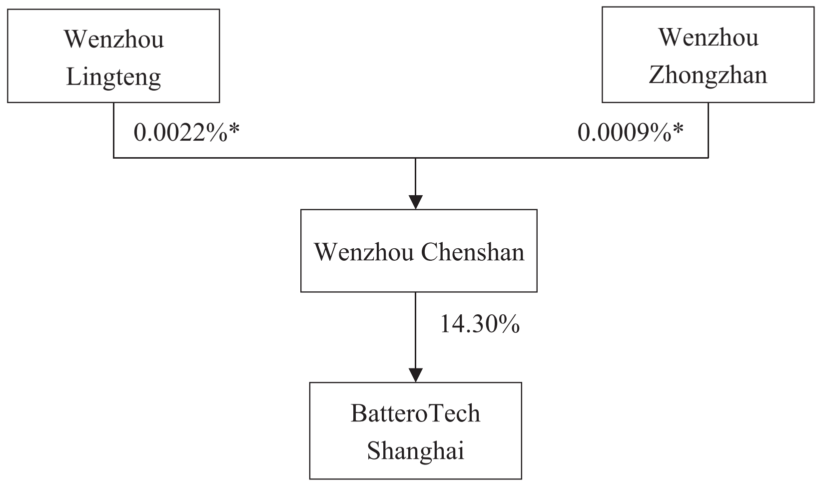
If a Share Incentive Scheme Participant of BatteroTech Shanghai dies or is declared to be dead according to applicable laws, Mr. Zhang and/or other Share Incentive Scheme Participants of BatteroTech Shanghai designated by Mr. Zhang shall repurchase all partnership interests then held by such Share Incentive Scheme Participant of BatteroTech Shanghai.

Divorce

In the case of divorce, the partnership interests then held by the Share Incentive Scheme Participant of BatteroTech Shanghai shall not be transferred to third parties by property division. The consequent financial issues shall be handled by the parties involved according to law, and no claim may be made to BatteroTech Shanghai or the platforms.

Details of the Interests Granted under the Share Incentive Scheme of BatteroTech Shanghai

The structure of the employee shareholding platforms of the Share Incentive Scheme of BatteroTech Shanghai is set out below:



* representing limited partnership interests

The Share Incentive Scheme Participants of BatteroTech Shanghai include employees of BatteroTech Shanghai.

The below sets out the details of the partnership structures of each of the employee shareholding platforms of the Share Incentive Scheme of BatteroTech Shanghai:

Partner of Wenzhou Lingteng	General/Limited partnership	Percentage of capital contribution in Wenzhou Lingteng	Percentage of entitlement to dividends in Wenzhou Lingteng
Share Incentive Scheme Participants of BatteroTech Shanghai	General partner	100%	100%

Partner of Wenzhou Zhongzhan	General/Limited partnership	Percentage of capital contribution in Wenzhou Zhongzhan	Percentage of entitlement to dividends in Wenzhou Zhongzhan
Mr. Zhang (as a Share Incentive Scheme Participant of BatteroTech Shanghai)	General partner	0.01%	0.01%
Other Share Incentive Scheme Participants of BatteroTech Shanghai	Limited partner	99.99%	99.99%

OTHER INFORMATION

Estate Duty

The Directors have been advised that no material liability for estate duty is likely to fall on the Group.

Litigation

As of the Latest Practicable Date, the Company was not engaged in any outstanding litigation or arbitration which may have material adverse effect on the [**REDACTED**] and, so far as the Directors are aware, no material litigation or claim was pending or threatened by or against the Company.

The Joint Sponsors

The Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

Each of the Joint Sponsors will receive a fee of US$300,000 for acting as a sponsor for the [**REDACTED**].

Compliance Advisor

The Company has appointed Red Solar Capital Limited as the compliance advisor upon [**REDACTED**] in compliance with Rules 3A.19 and 19A.05 of the Listing Rules.

Preliminary Expenses

The Company has not incurred any material preliminary expenses.

Promoters

The information of our promoters when we were established as a joint stock limited company is as follows:

Name of Shareholder	Number of Shares held upon our establishment	Shareholding percentage upon our establishment
Yongqing Technology	1,050,146,341	71.76%
Wenzhou Jingli	264,000,000	18.04%
Wenzhou Ruili	96,000,000	6.56%
Wenzhou Zhuorui	29,268,293	2.00%
Wenzhou Qingshan	24,000,000	1.64%
Total	**1,463,414,634**	**100.00%**

Within the two years immediately preceding the date of this document, no cash, securities, amount or benefit has been paid, allotted or given, or has been proposed to be paid, allotted or given, to any of the promoters named above in connection with the [**REDACTED**] or the related transactions described in this document.

Qualifications and Consents of Experts

The qualifications of the experts which have given opinions or advice which are contained in, or referred to in, this document are as follows:

Name of Expert	Qualifications
Morgan Stanley Asia Limited	A corporation licenced to conduct type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
CITIC Securities (Hong Kong) Limited	A corporation licenced to conduct type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Ernst & Young	Certified Public Accountants and Registered Public Interest Entity Auditor
Fangda Partners	Company's PRC legal advisor
Frost & Sullivan (Beijing) Inc.	Industry consultant

Each of the experts listed above has given and has not withdrawn its written consent to the issue of this document with the inclusion of its report and/or letter and/or opinion and/or references to its name included herein in the form and context in which they respectively appear.

Binding Effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

Bilingual Document

The English language and Chinese language versions of this document are being published separately, in reliance upon the exemption provided in Section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

Miscellaneous

(a) Save as disclosed in the section headed "History and Development" and in this section, within the two years preceding the date of this document, no share or loan capital of the Company or any of its subsidiary has been issued or has been agreed to be issued fully or partly paid either for cash or for a consideration other than cash.

(b) No share or loan capital of the Company or any of its subsidiary is under option or is agreed conditionally or unconditionally to be put under option.

(c) No founder, management or deferred shares of the Company or any of its subsidiary have been issued or have been agreed to be issued.

(d) None of the equity and debt securities of the Company or its subsidiary is presently listed or dealt in on any other stock exchange nor is any listing or permission to deal being or proposed to be sought.

(e) The Company has no outstanding convertible debt securities or debentures.

(f) None of the experts listed under "– Qualifications and Consents of Experts":

  (i) is interested beneficially or non-beneficially in any shares in any member of the Group; or

  (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group save in connection with the [**REDACTED**].

(g) The English text of this document and the [**REDACTED**] shall prevail over their respective Chinese text.

(h) There has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the 12 months preceding the date of this document.

(i) The Company currently is a sino-foreign investment joint stock limited liability company.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of the [**REDACTED**];

(b) a copy of each of the material contracts referred to in "Appendix VI – Statutory and General Information"; and

(c) the written consents referred to in "Appendix VI – Statutory and General Information".

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.chinarept.com** during a period of 14 days from the date of this document:

(a) the Articles of Association;

(b) the Accountants' Report and the report on the unaudited pro forma financial information prepared by Ernst & Young, the texts of which are set out in "Appendix I – Accountants' Report" and "Appendix II – Unaudited Pro Forma Financial Information", respectively;

(c) the audited consolidated financial statements of the Group for the years ended December 31, 2020, 2021 and 2022;

(d) the legal opinion from Fangda Partners, the Company's PRC legal advisor, in respect of certain aspects of the Company;

(e) the industry report prepared by Frost & Sullivan (Beijing) Inc.;

(f) the PRC Company Law, the Mandatory Provisions and the Special Regulations together with their unofficial English translations;

(g) the service contracts between each of the Directors and Supervisors and the Company referred to in "Appendix VI – Statutory and General Information";

(h) the material contracts referred to in "Appendix VI – Statutory and General Information"; and

(i) the written consents referred to in "Appendix VI – Statutory and General Information".