CALB

中創新航科技集團股份有限公司
CALB Group Co., Ltd.

(A joint stock company incorporated in the People's Republic of China with limited liability)
Stock Code: 3931

We have committed to the development, innovation and technological leadership in the new energy field, continued to build the healthy ecosystem of the new energy industry, and effectively fulfilled our responsibilities of energy security and sustainable development for human beings.

2023
ANNUAL REPORT

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Ms. Liu Jingyu (*Chairwoman of the Board and president)*
Mr. Dai Ying

Non-executive Directors

Mr. Zhou Sheng
Mr. Zhang Guoqing
Mr. Li Yunxiang

Independent Non-executive Directors

Mr. Wu Guangquan
Mr. Wang Susheng
Mr. Chen Zetong

AUDIT COMMITTEE

Mr. Wang Susheng (*Chairman*)
Mr. Wu Guangquan
Mr. Chen Zetong

REMUNERATION COMMITTEE

Mr. Wu Guangquan (*Chairman*)
Ms. Liu Jingyu
Mr. Chen Zetong

NOMINATION COMMITTEE

Mr. Chen Zetong (*Chairman*)
Ms. Liu Jingyu
Mr. Wu Guangquan

JOINT COMPANY SECRETARIES

Mr. Dai Ying
Mr. Cheung Kai Cheong Willie (*FCCA, CPA*)

AUTHORISED REPRESENTATIVES

Mr. Dai Ying
Mr. Cheung Kai Cheong Willie (*FCCA, CPA*)

AUDITOR

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COMPLIANCE ADVISOR

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Sheung Wan
Hong Kong

PRINCIPAL BANKS

China Construction Bank Corporation
Agricultural Bank of China Limited
China Merchants Bank Co., Ltd.
Industrial Bank Co., Ltd.

STOCK CODE

3931

COMPANY WEBSITE

www.calb-tech.com

Chairwoman's Statement

Dear shareholders:

On behalf of the board of directors of CALB Group Co., Ltd., I hereby present to the shareholders the annual report of the Group for the year ended 31 December 2023.

Innovative development in 2023

In 2023, we adhered to the continuous technological innovation as our driving force, created top-notch technologies and products, continuously boost our core competitiveness, met the needs of users with ultimate performance, and created market demand. On the basis of continuously deepening the cooperation with existing strategic customers, we continued to attract new customers and achieved the rapid growth of the number of new customers to better serve the market and help customers to succeed!

In 2023, we continued to grow at a rapid pace. Our installed capacity of EV batteries firmly ranked top 3 in China, and the installed capacity for a single month entered the global top 4. We supported the debut of all models of strategic customers, making new breakthroughs on the international market. Our energy storage business grew exponentially and achieved batch deliveries to a number of strategic customers. New growth was achieved in the fields of marine, construction machinery, rail transportation and formed a demonstration effect. As a national strategic emerging industry, low-altitude economy is a new growth motivation for future industrial development. The high-nickel/silica battery for low-altitude mobility ensures high power and high fast charging capacity while achieving a leapfrog lift in lightweight and safety performance.

We have always adhered to the strategy of leading products and technologies, successfully released the 6C supercharged large-cylinder battery, launched the first-of-its-kind 314Ah energy storage battery and achieved its mass-production and deliveries. The energy density of the battery cells of ultra-high energy density semi-solid battery exceeds 400Wh/kg and the cycle life is close to 1,000 times. At the same time, we achieved continuous progress of battery technology from advanced materials, high-performance battery technology, new battery technology and advanced manufacturing, leading the development of the industry to a new height and continuing to contribute to the healthy ecology of the industry! With hard-core product capabilities and excellent service, the Company has won the Excellent Supplier Award of GAC AION, the New Energy Contribution Award and the Excellent Supplier Award of Changan Auto, and the Excellent Supplier Award and Gold Award for Quality of Xiaopeng Motors for consecutive years.

In 2023, we received a number of honors including the "intelligent manufacturing demonstration plant by the MIIT", "national enterprise technology center", "national green factory" and the "top 500 manufacturing enterprises in China". At the same time, as the chairman member of the "power and energy storage battery industry innovation alliance of Jiangsu province" (江蘇省動力及儲能電池產業創新聯盟), we pioneered to build a dynamic industry ecosystem through collaborative innovation of the industry chain and made positive contributions to the rapid and high-quality development of the new energy industry.

In 2023, we continued to carry out carbon management in an efficient manner, set carbon emission reduction targets, and strove to promote collaborative carbon reduction across the entire supply chain while building our own long-term energy saving and emission reduction mechanism; we proactively identified and actively responded to the risks and opportunities brought about by climate change, and formulated specific measures to address climate risks.

In 2024: Move on for more

After years of innovative development, we have marched into new levels in all aspects including product capabilities and technical strength, market position, production capacity and brand influence. In 2024, we will think in a different way, behave energetically and seize every minute to move forward. We will join hands with our partners to continue our efforts for innovation, cost reduction and efficiency enhancement, so as to create greater value.

We will continue to create hardcore products driven by technological innovation and seek optimal organizational efficiency; staying customer-oriented, fueled by research and development and guaranteed by efficiency, we will focus on the "efficiency + closed loop" and continue to maximize the input/output ratio and overall value, striving to become an exceptional company serving outstanding enterprises across the world and leading the industry's development in technology, management, value chain and other aspects.

In 2024, with our strategic consideration of "face the future with innovation and leading technologies", we will continue our dedication to the exploration, innovation and technology leadership in the new energy sector, continue to shape a healthy ecosystem for the new energy sector, make our best efforts to help achieve the "Dual Carbon" goal and the new energy vehicle strategy and substantially perform our responsibilities for energy security and sustainable development.

Appreciation

I would like to express my sincere gratitude to all shareholders and investors, customers, partners and friends from all walks of life for their trust, help, support and companionship to CALB, which gives us confidence, courage and responsibility to go faster, steadfastly and beyond! I am full of expectation and have absolute confidence in the future of CALB!

Chairwoman
Liu Jingyu

Changzhou, the PRC, 30 April 2024

Management Discussion and Analysis

MANAGEMENT DISCUSSION AND ANALYSIS

I. The Industry which the Company Operates in

On 13 December 2023, the 28th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP28) was concluded in Dubai, UAE. The "UAE Consensus" was reached on a number of issues of the Paris Agreement, such as the Global Stocktake, mitigation, adaptation, funding, loss and damage, just transformation, which has a momentous significance, marking that the vast majority of countries around the world have agreed to take the new energy transformation as one of the important directions for all mankind to cope with climate change and achieve sustainable development. In order to respond to climate challenges and achieve sustainable development, it is particularly important for human beings to achieve new energy transformation in areas with large carbon emissions such as mobility and electricity.

1. EV battery market

Under the goal of achieving carbon peaking and carbon neutrality, new energy vehicles have become the key to achieve this goal, with a rising market penetration. With the continuous improvement in the driving range and safety of new energy vehicles, the global automobile industry is undergoing an important stage of transformation and upgrading. Apart from improving driving range and safety performance, the development of new energy vehicles will also focus on fast charging, intellectualization, etc. with an aim to enhance user experience, thereby achieving a driving experience beyond traditional fuel vehicles. Countries around the world have successively introduced various supporting policies from research and development support to infrastructure construction, which have driven the high-quality development of new energy vehicles around the world. As a core product in the upstream of the new energy vehicle industry chain, EV batteries have also entered a stage of high-quality development.

According to SNE Research, the sales volume of new energy vehicles worldwide reached 14.056 million units in 2023, representing a year-on-year increase of 33.4%. Driven by the swift growth of the new energy vehicle industry, the demand for EV batteries has experienced a rapid upsurge. According to SNE Research, the global installed capacity of EV batteries for new energy vehicles reached 705.5GWh in 2023, representing a year-on-year increase of 38.6%. The EV battery market continued to see good momentum in business development.

China has been committed to promoting the development of the new energy vehicle industry to further push forward the realization of green development goals. The new energy vehicles continued to grow rapidly in 2023 and entered a period of comprehensive market expansion. According to the China Association of Automobile Manufacturers, the sales volume of new energy vehicles in China reached 9.495 million units in 2023, representing a year-on-year increase of 37.9%, and the penetration rate of new energy vehicles was 31.6%, representing an increase of 5.9 percentage points over the previous year. According to the statistics of China Automotive Battery Innovation Alliance, the installed capacity of China's domestic EV batteries in 2023 was 387.7GWh, representing a year-on-year increase of 31.6%.

In the European market, several incentive policies such as carbon emission regulations, new energy vehicle purchase subsidies, tax reduction and exemption, and infrastructure construction have driven the sales volume of new energy vehicles in Europe into a rapid growth track. In the United States market, the Inflation Reduction Act (IRA) subsidies have stimulated the accelerated release of demand for new energy vehicles in the United States.

Next, the high-quality development of the EV battery market will greatly enhance the users' experience of driving a new energy vehicle and become a substantial driving force to further increase the penetration of new energy vehicles.

2. Energy storage market

Under the background of achieving "carbon peaking and carbon neutrality" goal, the demand for wind power and photovoltaic power and the introduction of policies in various countries have promoted the rapid development of the energy storage industry. According to the statistics of GGII, the global energy storage battery shipments reached 225GWh in 2023, representing a year-on-year increase of 50%. China, the United States and Europe are the three largest energy storage markets in the world.

In the Chinese market, the annual growth rate of new energy storage installed capacity in 2023 reached a record high in the course of the large-scale development, and the new energy storage installed capacity target set in the National 14th Five-Year Plan has been completed ahead of schedule. Compulsory energy allocation and storage policies have been successively introduced in all provinces, with a clarification of the proportion and duration of photovoltaic and wind power installed capacity. Independent energy storage projects were rapidly advancing, and the scale of front-of-the-meter applications continued to grow significantly. In addition, there have been more and more applications for the user-side field. With the continuous promotion of power market-oriented reform, the constant improvement of time-of-use electricity rate policy, and the widening of peak-valley electricity price gap, industrial and commercial energy storage has already boasted significant economy in most provinces. With the improvement of technology, the application scenarios in the user-side field are expected to expand from industrial and commercial energy storage scenarios to new scenarios such as big data, 5G base stations, optical storage and charging, and virtual power plants.

According to the statistics of GGII, China's energy storage battery shipments reached 206GWh in 2023, representing a year-on-year increase of 58%. The global share of shipments by domestic companies increased from 86.7% in 2022 to 91.6% in 2023.

In the European market, many countries have included energy storage into energy planning and introduced relevant subsidy policies. In addition, the European Parliament passed the electricity market reform in July 2023. The European FTM (front-of-the-meter) storage market is expected to usher in the growth of demand.

In the U.S. market, the U.S. energy storage profit model is mature in the medium and long term. After the introduction of IRA, the U.S. launched a more powerful ITC energy storage tax rebate policy. The combination thereof with local policies significantly reduced the investment cost of energy storage, which is beneficial to support the sustainable development of the U.S. energy storage market.

II. Business review

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

Adhering to technological innovation and maintaining the leading product power, the Group has proposed the core concept of innovation and development of "the ultimate balance of energy and resources, the ultimate balance of energy and safety, and the high integration of design and manufacturing". Guided by the R&D direction featuring high voltage, high manganese, cobalt-free and solid-state, the Group established a set of industry-leading and efficient R&D system, which has demonstrated its efficient, systematic and strong underlying technology innovation capabilities. With the continuous progress of battery technology promoted from multiple dimensions such as innovations in materials, structures, manufacturing as well as systems, whereby the Group possesses a number of leading technologies and products worldwide, and builds on hard-core product capabilities in all scenarios, thus bringing the development of the industry to a new height.

In 2023, the Group made full efforts in all fields to achieve sustained and rapid development.

- The installed capacity of EV batteries firmly ranked in the top 3 in China. The installed capacity for a single month entered the top 4 in the world. The Group supported the debut of all models of key customers and made new breakthroughs in the international market;

- The Group accomplished the energy storage business to grew multifold and delivery in batches to a number of strategic customers;

- The Group achieved a new growth in terms of marine products, construction machinery, rail transportation and other fields and formed a demonstration effect. More than 1,000 ships worldwide have been equipped with the Group's products. COSCO SHIPPING's 700TEU pure electric container ship along the Yangtze River was put into operation in Yangzhou. As a trial product of the first batch of green zero-carbon intelligent electric ship in China, the ship uses an innovative battery swapping model to ensure a voyage exclusively driven by electricity along the Yangtze River;

- As a national strategic emerging industry, low-altitude economy is a new growth motivation for future industrial development. The Group's high-nickel/silica battery for low-altitude mobility ensures high power and high fast charging capacity while achieving a leapfrog lift in lightweight and safety performance.

At the same time, the Group has excited a series of key technological breakthroughs in technology and product research and development, for example, it released the 6C super-charged large cylinder battery, took the lead in launching the 314Ah energy storage battery with a high energy efficiency and ultralong life and achieved mass production and delivery, leading the innovation and upgrading of the industry and continuing to contribute to the healthy ecology of the industry.

1. Further breakthrough in technology

Adhering to the technology innovation as the driving force, the Group created top-notch technologies and products through continuous innovation to achieve its breakthrough in technological development, continuously boosting the core competitiveness of the Group.

(1) In terms of advanced materials, focusing on key materials including high-manganese iron lithium materials, 5V high-voltage lithium nickel-manganate materials, new silicon carbon materials and new electrolyte functional additives, the Group completed a series of key technological breakthroughs;

(2) In terms of high-performance battery technology, the Group completed the development of 4C super-charged LFP technology and products as well as 6C super-charged high nickel cylinder technology and product, which are characterized by both high-energy and ultra-fast charging; completed the development of 314Ah energy storage battery technology and product with high energy efficiency and ultra-long life, leading the innovation and upgrading of the industry;

(3) In terms of new battery technology, the Group continued to make breakthroughs in high energy and high safety, and completed technological research on 400Wh/kg high specific energy and high safety mixed solid-liquid battery, leading the industry in core indicators such as thermal safety and calendar life; and

(4) In terms of advanced manufacturing, 1) in terms of efficient extreme manufacturing of electrodes, the Group achieved the mass production and application of the industry-leading 4.5um ultra-thin and ultra-wide copper foil, greatly improving electrode manufacturing efficiency and product technology competitiveness. In order to achieve high-energy fast charging products, the Group, through negative double-layer coating gradient design, improved fast charging capabilities to facilitate the realization of 4C product manufacturing; 2) in terms of the development of green and low-carbon technologies, the Group adopted industry-leading energy-saving technologies to achieve a 40% improvement in manufacturing efficiency and a reduction of more than 30% in manufacturing energy consumption; 3) by adopting advanced manufacturing technologies such as high-speed cell manufacturing with a composite method and minimal welding and packaging technology, the Group achieved process simplification and further improvement in manufacturing efficiency; and 4) the Group developed a new welding technology for direct connection of the tabs. By simplifying the design, the space utilization in the Z-direction (the height of the tabs) of the product was significantly increased.

The Group followed the high-quality intellectual property rights development strategy which was deeply integrated with the strategy of "consolidating its leadership in product and technology", focused on the high-quality patent portfolio to constantly forge an innovative brand power. It has established a patent portfolio in the entire battery industry chain covering battery materials, battery structure, system integration, electrical circuits, BMS, manufacturing process equipment and battery recycling. As of 31 December 2023, the Group had 3,060 issued patents and 1,111 patents which have been applied for approval.

2. Regaining a leading position in terms of products

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

Products for passenger vehicle market

(1) Ternary EV batteries

1) 400V 2C medium-nickel high-voltage battery: can attain 20%-80% charging within 18 minutes, for which the Group has achieved the delivery in batches in the mid-to-high-end pure electric BEV/REEV market;

2) 800V 3C/4C medium-nickel high-voltage battery: can attain 20%-80% charging within 10 minutes, for which the Group has achieved large-scale delivery;

3) 6C high-nickel R46 large cylinder battery: the maximum fast charging capacity of "Top-tier" high-nickel R46 large cylinder product exceeds 6C while the energy density of the battery cells is as high as 300Wh/kg;

4) High-energy and high-nickel multi-element battery: through innovative technologies such as multi-doped cathode, self-buffered silicon carbon anode, high-safety electrolyte and self-healing interface, the cycle life exceeds 1,500 times on the basis of the energy density of the battery cells as high as 350Wh/kg. At the same time, through the extreme needle puncture test, the safety of high-energy batteries is guaranteed to the greatest extent, achieving new breakthroughs in safety and life; and

5) Ultra-high energy density semi-solid battery: focusing on the intrinsic safety requirements of ultra-high energy batteries, through the combination of the advantages of new liquid safety electrolyte and solid-state safety technology, the cycle life is close to 1,000 times while the energy density of the battery cells exceeds 400Wh/kg, achieving the ultimate balance of energy, performance and safety.

(2) Phosphate series EV batteries

1) the high-power LFP prismatic battery: featuring high power and all-climate scenario application, which is the high-quality product developed for the hybrid passenger vehicle market, with mileage coverage ranging 80km-400km. It has been delivered in batches;

2) the high-power LFP R46 large cylinder battery: "Top-tier" iron lithium R46 large cylinder product is a new generation product developed for the hybrid market, with leading advantages such as minimizing cost and maximizing performance. It will be delivered in batches soon;

3) the high specific energy LFP battery: L300 series prismatic battery cell adopts all tab laminated technology. The battery cell is thinner and lighter, with better volumetric efficiency and assembly efficiency, leading the third-generation benchmark in the industry. It has been delivered in batches;

4) 800V 3C fast-charging LFP battery: the fast-charging LFP product firstly launched in the industry, featuring high specific energy, high rate and fast charging, has been highly recognized in pure electric market of mid-to-high-end passenger vehicle. It has been delivered in batches; and

5) 800V 5C super-charged LFP battery: can achieve 20%-80% charging within 9 minutes. It will be delivered in batches soon.

Products for commercial vehicle market

The capacity of battery cell products covers 125Ah-314Ah, of which the products for commercial minivan and light truck segments can achieve 20%-80% charging within 30 minutes and have been delivered in batches; products for the heavy truck and passenger vehicle segments can achieve long-term cycle life to meet customers' long-term quality assurance needs and have been delivered in batches. The 314Ah battery cell, with a high energy efficiency and long life, features a combination of energy storage and application to commercial vehicle. It adopts breakthrough lithium replenishment technology and increases a cycle life to 7,000 times in the commercial vehicle field. The PACK system products designed in light of the platform-based concept can meet the customers' demands for different space and battery capacity.

Products for energy storage market

(1) For power energy storage application scenario: the 314Ah battery cell products are the first in the industry to pass certification and the first to achieve large-scale and stable delivery in batches. They have successfully achieved market success and gained strategic customers' high recognition of products and delivery capabilities. The "second-generation liquid-cooled container energy storage system" developed based on the new generation of energy storage battery cells, which features a combination of high safety, high reliability, high energy efficiency, low power consumption, long life and high energy density, achieves a discharge capacity of 5MWh or above and an energy density of more than 360kWh/m^2 for a standard 20ft energy storage container through innovative system design, being at the leading edge of the industry. In terms of system integration, the number of system integrated components can be simplified by more than 40%; the integrated power per unit area can be increased by more than 35%; the auxiliary power consumption can be reduced by more than 20% and an ultra-long life of 15 years can be realised, helping customers achieve a significant reduction in initial investment cost and levelized cost of energy during the life cycle and greatly increase the overall revenue of power stations;

(2) For industrial and commercial energy storage application scenario: the standardized outdoor integrated cabinet products have the advantages of modular design, active safety system, intelligent power distribution system, safety and reliability, and economic efficiency, supporting arbitrage of peak-valley electricity price gap to maximize the commercial benefits; and

(3) For household energy storage application scenario: the long-life prismatic battery and intelligent management system that possess multiple protection mechanisms such as over-charge, over-discharge, over-temperature, over-current, and short circuit, successively pass a series of overseas certifications such as UL/IEC/CE, and the product performance, cost and safety performance are widely recognized by customers.

3. Business achievements

During the Reporting Period, the total assets of the Group amounted to RMB105,429 million, representing a year-on-year increase of 16.5%, and the net assets amounted to RMB46,386 million, representing a year-on-year increase of 11.6%. The Group achieved a revenue of approximately RMB27,006 million, representing a year-on-year increase of 32.5%, which was mainly attributable to the release of the Group's production capacity, the continuous enrichment of product lines, the continuous increase in the stickiness of cooperation with core customers in the EV battery market, the further diversification of supporting customers and strategic cooperation with leading customers in each segment of the energy storage system as well as the rapid growth in sales.

Passenger vehicle market: the total number of supporting new energy vehicles exceeded 1.4 million units, among which:

(1) in the field of pure electric vehicle: except for the economy passenger vehicle market, a significant growth in the installed capacity in mid-to-high-end passenger market has been achieved, delivering fast-charging products to all models of XPeng and NIO and mass-producing and delivering such products to new global models of Volvo. In terms of new customer development, while adding new models from customers such as SAIC and BAIC, the Group cooperated with many international customers to conduct technology development of high-energy fast-charging products and was highly recognized by the customers; and

(2) in the hybrid field: the Group's market share in the hybrid market increased rapidly, and the installed capacity increased by four times year-on-year. By leveraging on its high-power hybrid product system with a complete range of products and leading performance, the Group realized designated cooperation with automakers including Changan, Geely, Leapmotor, Chery and Dongfeng for their new hybrid models, laying a solid foundation for the subsequent increase of its hybrid market share in the future.

In the commercial vehicle market: the Group has covered all mainstream products in the market, and completed the comprehensive support for all models of minivans, micro trucks, small trucks, light trucks, heavy trucks, special vehicles, and passenger vehicles and delivery in batches.

(1) In the field of light commercial vehicles, it has achieved in-depth cooperation with customers such as Geely, Ruichi, Chery, BAIC, Dongfeng and Changan, providing comprehensive support for the industry's mainstream models and delivery in batches;

(2) In the field of heavy trucks and special vehicles, the Group has cooperated with customers including Sany Group, XCMG, Shaanxi Automobile and TRI-RING (三環汽車) in terms of dump trucks, mixer trucks, tractors, loaders and excavators, etc; and

(3) In terms of international market, its delivery volume of commercial vehicles also doubled and it constantly gained new designations of several bus projects in Europe, Australia and Asia and has completed relevant deliveries.

In the energy storage market: the business results increased multifold.

(1) The Group established direct cooperation with power groups such as the "Five Leading and Six Major", and achieved strategic cooperation with SPIC, CNNP Rich Energy, China Energy Construction, China Three Gorges Renewables, China Electrical Equipment Group, etc. A number of energy storage power station projects adopted the Company's products and realized the operation and grid connection;

(2) The Group entered into strategic cooperation agreements with leading customers in various fields such as system integrators, wind power and photovoltaic enterprises to establish a long-term and stable supply relationship, with its market share and ranking further improving. The Group completed product recognition and cooperation with the top 30 system integrators in terms of shipments, and provided delivery in batches to over 20 of them, becoming a core supplier and partner of the leading enterprises in the industry and was highly recognized by the customers;

(3) The Group achieved a breakthrough in the energy storage power station business, completed the establishment of a complete business system, and won the bidding for two independent energy storage power station projects for the first time; and

(4) While continuing to maintain the influence in the power storage market segment, the Group completed its market layout in the industrial and commercial energy storage, household energy storage market segment through the launch of full-scenario standardized energy storage products and solutions, which laid a solid foundation for the follow-up rapid growth in the energy storage market.

III. Future Prospects

Steering rapid development by innovation, the Group adheres unwaveringly to the strategy of consolidating its leadership in products and technologies. Propelled by a future-oriented R&D plan, the Group pushes forward the constant advancement of battery technology from multiple dimensions such as innovations in materials, structures, manufacturing as well as systems, whereby the Group possesses a number of leading technologies and products worldwide, and builds on hard-core product capabilities in all scenarios, thus bringing the development of the industry to a new height. Revolving around the business strategy of "dual-driven force of power and energy storage" and regional strategy of "paradigm featuring dual circulation (國內國際雙循環)", the Group is dedicated to serving the high-quality development of new energy with its leading technology and product capabilities and insisting on taking the needs of end users and customers and social sustainable development as the fundamental pursuit of technological development. Focusing on solving pain points in the industry, the Group is committed to providing users with products featuring high safety, high reliability, high performance and cost effectiveness.

1. Innovation in technologies and products

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

(1) In terms of materials, the Group will seek to make breakthroughs in key chemical materials such as 5V high-voltage lithium nickel-manganate materials, all-solid-state sulfide electrolyte materials and new silicon carbon materials;

(2) In terms of advanced manufacturing technologies, the Group achieved new breakthroughs in the high-efficiency and low-cost manufacturing technology of cylinder batteries by combining the structural innovation of batteries and the highly integrated manufacturing process, focused on the upgrading of key core technologies such as artificial intelligence technology, digital simulation technology and machine vision inspection technology, and realized intelligent closed-loop control of manufacturing process and high reliable capability of delivery in batches;

(3) In terms of high-performance battery and system technology, the Group continuously enhanced its comprehensive leading advantage in the fields of high specific energy, long battery life, high safety, high power and all-climate technology, achieved the industrialization of the products including high-manganese iron lithium battery, high-specific-energy 5C ultra-fast charging LFP battery and 400Wh/kg mixed solid-liquid battery, and further expanded their application to new scenarios. The Group made further breakthroughs in key technologies of energy storage cells for a higher efficiency and longer life, maintaining its energy storage products outperform peers all the time;

(4) In terms of new batteries, the Group will focus on the research of key technologies such as 5V high-voltage lithium nickel-manganate, 450wh/kg mixed solid-liquid and all-solid-state batteries to maintain its leading advantages; and

(5) In terms of battery full life cycle management, the Group will develop the intelligent battery diagnostic technology to identify potential risks, and develop the reliability design and analysis technology to keep improving the battery's full life cycle reliability; and develop the intelligent battery management technology to extend the battery life and guarantee its healthy operation, so as to maximise the battery's value throughout its life cycle.

2. Market and customer development

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

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

In terms of passenger vehicle market, the Group optimized strategic layout based on its differentiation strategy for the segments, built a three-dimensional market system, and expanded into the international market while continuing to tap the domestic market deeply. For the domestic market, in the field of BEV and HEV, the Group will deepen its layout and continue to develop new customers, and enhance cooperation with existing customers in respect of new platforms and new projects, so as to increase the market share and hit another record penetration rate. In the international market, besides the significant increase in the supply volume of our products to existing international brand customers and the increasing support to new international brand customers, the Group will work alongside key domestic customers in terms of the global expansion planning so as to support the sustained rapid growth of China’s new energy vehicle exports.

In terms of the commercial market, the Group will further deepen the overall layout and continue to tap deep into the segments including light commercial vehicle, new energy heavy truck, passenger vehicle and engineering machinery; deepen the cooperation with leading players in the commercial vehicle industry. The Group will vigorously expand into emerging markets including ship, rail transit and mining and provide various product solutions with high-safety, high-reliability and high-performance. The Group will strive to get highly recognized by the customers with our leading technology, outstanding quality and extraordinary service and will join hands with strategic customers to carry out the forward product development and create full-scenario applications, so as to lead the new energy development of the commercial industry.

In terms of energy storage market, the Group will maintain its focus on the new energy power generation side, grid side, customer side and other segments, and build deeper, long-term strategic cooperation with five leading government-run power enterprises, six major power industry player (the “Five Leading and Six Major”), system integrators, and leading enterprises in wind power, photovoltaic and other segments, so as to ensure that the shipments of energy storage products will grow multifold again. The Group will tap deeper into the business chain of new energy power stations and further leverage its advantages in performance, service and cost to build its brand advantage among the “Five Leading and Six Major” and turn it into business increments. In addition, the Group will accurately match the market expansion process and product needs of system integrators, so as to further increase our share in the leading system integrator customers and double our deliveries to them. On the basis of our established power station business capabilities, we will participate in the competitive distribution business of independent power stations to increase our shipments of energy storage products through the power station business. In terms of industrial and commercial energy storage, we will explore diversified business models to achieve a rapid growth in shipments.

3. Internationalization

With its strategic goal of internationalization, the Group will continue to accelerate its strategic internationalization process from multiple aspects including production capacity, market and supply chain.

In terms of production capacity, the Group achieved high-quality promotion of the industrial layout in Europe, which was included in the Portugal National Interest Project (PIN). The plant design, land and other ancillary resources were implemented as planned, and the approval document of environmental impact assessment was issued in Portugal, thus laying a good foundation for full-scale construction. The Group will continue to control efficiency and cost in various aspects with industry-leading speed and quality, so as to accelerate the mass production and ensure on-time delivery to international customers. At the same time, the Group will build industrial presence in ASEAN Region based on the market demand, and meet the needs of international customers through multiple channels and multiple models.

In terms of market, the Group possesses the supporting capacity for global delivery of EV batteries and will further co-operate with the world's leading and outstanding enterprises. Leveraging on the new overseas platform, the Group will be capable of enhancing its overseas integrated service capability, market competitiveness and international reputation, and exerting its advantages of technology and production capacity over its influence on the global market.

In terms of supply chain, the Group works closely with its existing partners to make innovation, improve efficiency and reduce costs, and continue to develop global co-operation; the Group also closely connects with the local industrial chains in the regions where its global partners are located to expand industrial synergies, and contribute to the development of the regional economy.

Adhering to the innovation-driven development strategy in 2024, the Group will firmly grasp the high-quality development, develop new quality productive force based on local demands, devote itself to pioneering innovation and technological leadership in the field of new energy, continue to shape a healthy ecosystem for the new energy industry, maximizing its commitment to the realization of the "carbon peaking and carbon neutrality" goal and the strategy for new energy vehicle, fulfil its responsibility to energy security and sustainability, and make the greatest contribution to the creation of a harmonious coexistence, an ecosystem with green and sustainable energy, and a better future for mankind!

IV. FINANCIAL REVIEW

Overview

During the Reporting Period, the revenue of the Group increased from RMB20,374.94 million for the year ended 31 December 2022 to RMB27,005.89 million for the year ended 31 December 2023, representing an increase of 32.5%; the gross profit of the Group increased from RMB2,103.52 million for the year ended 31 December 2022 to RMB3,511.52 million for the year ended 31 December 2023, representing an increase of 66.9%. The gross profit margin of the Group increased by 2.7 percentage points from 10.3% for the year ended 31 December 2022 to 13.0% for the year ended 31 December 2023.

Revenue structure

During the Reporting Period, the Group generated revenue from the sales of EV batteries, ESS products and others. The revenue of the Group increased from RMB20,374.94 million for the year ended 31 December 2022 to RMB27,005.89 million for the year ended 31 December 2023, representing an increase of 32.5%. The increase was mainly due to the gradual release of the Group's production capacity, continuously enriched product lines, market expansion and the increasing customer demands.

1) Revenue by product

Items	2023 Revenue (RMB'000)	2023 Percentage of revenue (%)	2022 Revenue (RMB'000)	2022 Percentage of revenue (%)
EV batteries	**22,249,046**	**82.4**	18,323,505	89.9
ESS products and others	**4,756,839**	**17.6**	2,051,437	10.1
Total	**27,005,885**	**100.0**	20,374,942	100.0

During the Reporting Period, the revenue generated from the sales of EV batteries of the Group increased by 21.4% from RMB18,323.51 million for the year ended 31 December 2022 to RMB22,249.05 million for the year ended 31 December 2023. The growth was mainly attributable to the release of the Group's production capacity, continuously enriched product lines, the increase in market and customers demand, increased stickiness of cooperation with core customers, the further diversification of supporting customers, as well as the sustained growth of the passenger vehicle and commercial vehicle businesses.

During the Reporting Period, the revenue generated from the ESS products and others of the Group increased by 131.9% from RMB2,051.44 million for the year ended 31 December 2022 to RMB4,756.84 million for the year ended 31 December 2023. The increase was mainly due to the fact that the Group continued to explore the markets including ESS segments at home and abroad and formed the strategic cooperation with leading customers in various ESS segments, which led to a rapid growth in sales.

2) Revenue by geographical location of product delivery

Items	2023 Revenue (RMB'000)	2023 Percentage of revenue (%)	2022 Revenue (RMB'000)	2022 Percentage of revenue (%)
Mainland China	**26,353,028**	**97.6**	19,988,435	98.1
Overseas regions	**652,857**	**2.4**	386,507	1.9
Total	**27,005,885**	**100.0**	20,374,942	100.0

During the Reporting Period, the Group's revenue from Mainland China increased by 31.8% from RMB19,988.44 million for the year ended 31 December 2022 to RMB26,353.03 million for the year ended 31 December 2023. The increase was mainly attributable to the continuous improvement and release of the Group's production capacity and the continuous growth in the number of the Group's customers from Mainland China and their demands for batteries.

During the Reporting Period, the Group's revenue from overseas regions increased by 68.9% from RMB386.51 million for the year ended 31 December 2022 to RMB652.86 million for the year ended 31 December 2023. The increase was mainly attributable to the significant growth of the Group's overseas energy storage business.

Financial position

1) Assets

The total assets of the Group increased from RMB90,460.62 million as at 31 December 2022 to RMB105,429.03 million as at 31 December 2023, representing an increase of 16.5%, among which, non-current assets increased from RMB53,101.17 million as at 31 December 2022 to RMB73,318.01 million as at 31 December 2023, representing an increase of 38.1%. Such increase was mainly due to the increase in property, plant and equipment as the Group continued to invest in the projects under construction in existing production bases. Current assets decreased from RMB37,359.45 million as at 31 December 2022 to RMB32,111.02 million as at 31 December 2023, representing a decrease of 14.0%. Such decrease was mainly due to the decrease in inventories as the Group's operational efficiency improved.

2) Liabilities

The total liabilities of the Group increased from RMB48,885.16 million as at 31 December 2022 to RMB59,043.24 million as at 31 December 2023, representing an increase of 20.8%, among which, current liabilities increased from RMB32,774.95 million as at 31 December 2022 to RMB36,821.46 million as at 31 December 2023, representing an increase of 12.3%. Such increase was mainly attributable to the increase in short-term borrowings and bills discounted to meet the Group's short-term capital needs for business expansion. Non-current liabilities increased from RMB16,110.21 million as at 31 December 2022 to RMB22,221.78 million as at 31 December 2023, representing an increase of 37.9%. Such increase was mainly due to the increase in syndicated borrowings for projects to meet the Group's capital needs for business expansion and continuous investment in key projects.

Liquidity and financial resources

The operating cash inflow of the Group for the year ended 31 December 2023 amounted to RMB2,900.17 million, representing an increase of 37.5% as compared with RMB2,109.05 million for the year ended 31 December 2022, which was mainly attributable to the increase in cash received from sales of goods and provision of services from operating activities as a result of the growth in market and customer demand, the continuous release of the Group's production capacity and the increased business scale.

The bank and cash balances (including pledged and restricted bank deposits) of the Group as at 31 December 2023 were approximately RMB9,215.86 million (2022: RMB12,916.90 million).

The total borrowings of the Group as at 31 December 2023, including all bank loans, amounted to approximately RMB29,170.73 million (31 December 2022: RMB17,707.48 million). The repayment terms of the bank loans are due within one year of approximately RMB8,114.81 million and approximately RMB21,055.92 million after one year, respectively.

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

Capital structure

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

The borrowings of the Group were mainly settled in Renminbi, while its cash and cash equivalents were mainly held in Renminbi, Euro, U.S. dollars and Hong Kong dollars. The Group plans to maintain an appropriate portfolio of equity and debt during the period to ensure an effective capital structure. As at 31 December 2023, the outstanding loans of the Group were RMB-denominated loans with approximately 6.1% of these outstanding loans bearing interest at fixed rates and the remainder at floating rates.

The Group monitored the capital structure by using the gearing ratio (i.e. net debt divided by equity), with its policies to maintain financial stability and support the sustainable, healthy and rapid development of the Group's business. Net debt includes lease liabilities, interest-bearing bank and other borrowings and is net of cash and cash equivalents, with equity being total equity. The gearing ratio of the Group as at 31 December 2023 was 47.1% (31 December 2022: 17.7%). The increase in the gearing ratio was mainly due to the increased borrowings for project construction. The Group maintained its financial stability amidst rapid business development.

Foreign exchange risk

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

Capital expenditure

During the Reporting Period, the capital expenditures of the Group for the year ended 31 December 2023 amounted to RMB20,129.02 million (2022: RMB29,989.32 million) which were mainly used to expand production capacity, including the construction of production facilities and the upgrade of existing machinery and equipment. The capital expenditures of the Group were mainly funded by the Group's own funds, bank borrowings, funds contributed by local shareholders as well as cash inflow from the operating activities of the Group.

Capital commitment

During the Reporting Period, the capital commitments of the Group were mainly related to the acquisition of property, plant and equipment and intangible assets. The total of capital expenditures contracted but not incurred as at 31 December 2023 was RMB19,828.09 million (2022: RMB29,204.78 million).

Restricted assets

As at 31 December 2023, the Group had restricted assets with a total carrying amount of RMB5,763.55 million for obtaining bank loans and other bank facilities. These assets include pledged and restricted bank deposits of RMB1,381.90 million, bills receivables of RMB295.71 million, property, plant and equipment of RMB3,346.17 million and right-of-use assets of RMB739.77 million.

Significant investments held

As at 31 December 2023, the Group did not hold any significant investments.

Future plans for significant investments and capital assets

As at 31 December 2023, the Group did not have any plans for significant external investments and capital assets.

Material acquisitions and disposals of subsidiaries and associates

During the Reporting Period, the Group had no material acquisitions or disposals of subsidiaries and associates.

Contingent liabilities

(a) The Group endorsed certain bank acceptance bills for the settlement of trade and other payables, discounted certain bank acceptance bills to banks for obtaining working capital and entered into factoring arrangement to transfer trade receivables to a bank without recourse. These outstanding endorsed bank acceptance bills, discounted bank acceptance bills and factored trade receivables are generally with maturities no more than 12 months. In the opinion of the Directors, the Group has transferred substantially all the risks and rewards relating to these instruments, the Group's obligations to the corresponding counterparties were discharged in accordance with the commercial practice in the PRC and the risk of default in payment of these instruments is low because they were issued or guaranteed by reputable PRC banks or enterprises. As a result, the relevant assets and liabilities were derecognised on the consolidated financial statements. The maximum exposure to the Group that may result from the default of these endorsed, discounted and factored instruments at 31 December are as follows:

	2023	2022
	RMB'000	RMB'000
Endorsed or discounted bills	**8,269,808**	3,534,942
Factored trade receivables	**1,700,000**	–
	9,969,808	3,534,942

(b) During 2021, Contemporary Amperex Technology Co., Limited ("**CATL**") has brought four intellectual property infringement claims (for Patent I, Patent II, Patent III and Patent IV, as defined in the Prospectus of the Company dated 23 September 2022) against the Company (each a "**Claim**" and together, the "**Claims**"). China Lithium Battery Technology (Luoyang) Co., Ltd. (中航鋰電(洛陽)有限公司) (the "**Luoyang Company**") is also a joint defendant in the Claim related to Patent II.

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

The Company received the respective first-instance judgements for the claims of Patent I, Patent III and Patent IV delivered by Fuzhou Intermediate Court between November 2022 and February 2023. After due consideration, the Company made a total provision of RMB8.64 million for the claims of Patent I, Patent III and Patent IV based on the assessment result of the compensation amounts of the internal legal counsel and external legal counsel by the end of 2022.

In December 2023, the Supreme Court has revoked the civil indictments from Fuzhou Intermediate Court regarding claims of Patent I and Patent IV. As a result, the Company has reversed the provision of RMB8.4 million related to claims of Patent I and Patent IV by the end of 2023.

Regarding Claim of Patent III, the Company received a civil judgement from the Fuzhou Intermediate Court in November 2022 and the salient contents of which are: (1) the Group shall immediately cease selling products infringing the relevant patent, (2) the Group shall compensate CATL for its economic loss of RMB2.63 million and reasonable costs of RMB0.2 million, (3) the Group to pay RMB0.13 million fees for the temporary protection period for the relevant patent, and (4) other claims filed by CATL were rejected. Details are set out in the Company's announcement dated 30 November 2022. The litigation has no significant progress during the year ended 31 December 2023, hence the Directors determined to maintain the provision of RMB0.24 million for Claim of Patent III as at 31 December 2023.

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

Accordingly, the Group has the following contingent liabilities as at 31 December 2022 and 2023:

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

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

Save as disclosed above, the Group had no other material contingent liabilities as at 31 December 2023.

Profile of Directors, Supervisors and Senior Management

DIRECTORS

Executive Directors

Ms. Liu Jingyu (劉靜瑜女士) (former name Liu Caiyu (劉彩瑜)), aged 54, is the chairwoman of our Board, as well as an executive Director and president of our Company. Ms. Liu has been a Director of our Company since 20 July 2018, by election at the Shareholders' meetings of our Company, was appointed as the chairwoman of the Board of our Company on 27 July 2018 and has been the president of our Company since 6 August 2018. Ms. Liu was designated as our executive Director on 10 December 2021. Ms. Liu is also the chairwoman of the board or a Director of Jiangsu Research Institute, Xiamen Company, Jiangsu Company, Shenzhen Research Institute, Wuhan Company, Hefei Company, Chengdu Company, Materials Company, Fujian Company, Jiangmen Company, Sichuan Company, CALB Smart Energy Technology Co., Ltd.* (中創新航智慧能源科技有限公司) ("**Smart Energy**"), CALB (HK) Co., Limited and CALB(EUROPE),S.A.. Ms. Liu also serves as the chairwoman of the board of Jiangsu Power and Energy Storage Battery Innovation Center Co., Ltd. (江蘇動力及儲能電池創新中心有限公司) ("**Jiangsu Innovation Center**"), an associate of our Company. Ms. Liu is mainly responsible for overall strategic planning and operational decision of our Group. She is a member of the Nomination Committee and Remuneration Committee.

Ms. Liu has over 20 years of experience in large enterprise management. Prior to joining our Group, Ms. Liu, from April 2003 to June 2018, worked in Tianma Microelectronics Co., Ltd.* (天馬微電子股份有限公司), a company whose shares are listed on the Shenzhen Stock Exchange (stock code: 000050) ("**Tianma**", together with its subsidiaries "**Tianma Group"**), which is principally engaged in the research, manufacturing and sales of liquid-crystal display and its related materials with subsidiaries located in China, Europe, United States, Japan, Korea and India. Ms. Liu had served various positions in Tianma Group and her last position was director and general manager of Tianma. Ms. Liu was mainly responsible for the overall operation and management of Tianma Group and had gained extensive international experience during her tenure in Tianma Group.

Ms. Liu has received many honors including:

- in February 2024, she was awarded the honorary title of "Star Entrepreneur" (明星企業家) by the Changzhou Municipal People's Government, and the honorary titles of "Ziwei Medal" (紫薇獎章), "Outstanding Contribution Award 2023" (2023 年度傑出貢獻獎) and "Outstanding Entrepreneur 2023" (2023 年度優秀企業家) by the People's Government of Jintan District, Changzhou City;

- in March 2023, she was awarded the honorary title of "Jiangsu Outstanding Entrepreneur of Social Responsibility 2022" (2022 年度江蘇社會責任杰出企業家) by Xinhua Daily Media Group;

- in January 2023, she was elected as a "representative of the 14th National People's Congress of China";

- in January 2023, she was awarded the honorary title of "Industrial Star Entrepreneur" (工業明星企業家) by Changzhou Municipal People's Government;

- in November 2022, she was awarded the honorary title of "the Most Influential Business Women in China" (中國最具影響力商界女性) by Fortune;
- in July 2022, she was awarded the honorary titles of "the Top Ten Women in Science and Technology Innovation in Jiangsu Province" (江蘇省科技創新十大女傑) and "the Outstanding Female Talent of Jiangsu Province" (江蘇省巾幗智造之星) by three major departments including the Women's Federation of Jiangsu Province;
- in July 2022, she was awarded the honorary title of "2020-2021 Integrity Model and Integrity Star" (常州市 2020-2021 年度"誠信標兵""誠信之星") by 7 major departments including the Propaganda Department of the CPC Changzhou Municipal Committee, and was awarded as "Changzhou Advanced Individual in Promoting High-quality Development 2022"(2022 常州市推動高質量發展先進個人);
- in February 2022, she was awarded the honorary title of "Outstanding Entrepreneur of Changzhou Jintan District"(常州市金壇區優秀企業家) by the CPC Changzhou Jintan District Committee and Changzhou Jintan District People's Government;
- in April 2021, she was awarded the honorary title of "Model Worker in Jintan District of Changzhou City" (常州市金壇區勞動模範) by Changzhou Jintan District People's Government;
- in February 2021, she was awarded the honorary title of "Advanced Person Contributing to Jintan District" (貢獻金壇先進人物) by Changzhou Jintan District People's Government;
- in November 2020, she was awarded the honorary title of "Women Achievement Model" (巾幗建功標兵) in Jintan District of Changzhou City;
- in February 2020, she was awarded the title of "Excellent Entrepreneur" (優秀企業家) by Changzhou Jintan District People's Government;
- in November 2019, she won the award of "LiXiang Person of the Year 2019" (鋰想 2019 年度人物獎) at the 4th International Summit on EV Battery Application* (第四屆動力電池應用國際峰會); and
- in June 2019, she was elected as the chairwoman of the first session of Jiangsu Power and Energy Storage Battery Industry Innovation Alliance* (江蘇省動力及儲能電池產業創新聯盟).

Ms. Liu has been a recognized senior accountant since December 2005 and a certified public accountant recognized by the Shenzhen Institute of Certified Public Accountants since March 2007. Ms. Liu was recognized as a registered valuer by the Shenzhen Association of Registered Asset Appraisers in 2001 and was recognized as a certified tax agent by the Shenzhen Registered Tax Agent Management Center in 2001.

Ms. Liu obtained a master's degree in management majoring in accounting from Dongbei University of Finance and Economics (東北財經大學) in April 2005.

Mr. Dai Ying (戴穎先生), aged 45, is the executive Director (employee representative Director), senior vice president and joint company secretary of our Company. Mr. Dai has been the senior vice president of our Company since 3 April 2019 and was appointed as our Director on 2 December 2020 and as our company secretary on 6 January 2022 (effective upon Listing). Mr. Dai was designated as our executive Director on 10 December 2021. Mr. Dai also acts as a director of Fujian Company, Chengdu Company, Hefei Company, Jiangmen Company and Sichuan Ganmei CALB New Energy Resources Co., Ltd.* (四川甘眉新航新能源資源有限責任公司) ("Sichuan Ganmei"). Mr. Dai is mainly responsible for the investment, financing and capital operation of our Group.

Mr. Dai has over 20 years of experience in business management, investment and financing. Prior to joining our Group, Mr. Dai served as the deputy general manager and secretary of the board of directors of Shenzhen Tongyi Industrial Co., Ltd.* (深圳市同益實業股份有限公司) from August 2018 to April 2019, and was responsible for the investment, financing and capital operation. Mr. Dai worked as the secretary of the board of directors in Tianma from November 2016 to January 2018, mainly responsible for the investment, financing and capital operation of Tianma. From April 2014 to January 2018, Mr. Dai served as an assistant president of Tianma. From May 2011 to April 2014, he worked at Ping An Fund Management Co., Ltd.* (平安基金管理有限公司). He worked in Da Cheng Fund Management Co., Ltd.* (大成基金管理有限公司) from October 2009 to May 2011 and worked at Ping An Life Insurance Company of China, Ltd. (平安人壽保險股份有限公司) from April 2004 to October 2009. From May 2000 to August 2002, Mr. Dai worked at Yingda Securities Co., Ltd* (英大證券有限責任公司).

Mr. Dai obtained a bachelor's degree in economics majoring in International Finance from Zhongnan University of Economics and Law (中南財經政法大學) in June 1999.

Non-executive Directors

Mr. Zhou Sheng (周勝先生) (former name Zhou Zisheng (周子勝)), aged 48, is the non-executive Director. Mr. Zhou has been the non-executive Director since 8 December 2015 and was designated as our non-executive Director on 10 December 2021. Mr. Zhou is mainly responsible for providing guidance for the overall development of the Group.

Since January 2024, Mr. Zhou has been the chairman of the board of directors and the legal representative of Jiangsu Jintan Investment Holding Co., Ltd.*(江蘇金壇投資控股有限公司), mainly responsible for the overall management of Jintan Holding. Prior to joining Jintan Holding, since April 2017, Mr. Zhou has been the chairman of the board of directors and the legal representative of Jintan Hualuogeng, mainly responsible for the overall management of Jintan Hualuogeng. Prior to joining Jintan Hualuogeng, Mr. Zhou served as the deputy general manager of Jintan Holding from September 2014 to February 2017, where he was mainly responsible for corporate financing and standardized management of funds. He served as the general manager of Jintan Holding from February 2017 to February 2019, and from December 2021 until now, he has been mainly responsible for the overall work of its production, operation and management. Mr. Zhou also worked as the Financial Affairs Office of Jintan Municipal Government* (金壇市政府金融工作辦公室) as deputy director from April 2014 to August 2014, mainly responsible for planning and implementation of the relevant policies in relation to the development of the banking and financing guarantee industries in Jintan District. Mr. Zhou worked at the Finance Bureau of Jintan District* (金壇市財政局) as office director and deputy chief accountant of the budget section from April 2007 to February 2011, and as chief accountant from March 2011 to March 2014, mainly responsible for financial budget management. Prior to that, he worked as general budget accountant and deputy director of Financial Office of Xuebu Town, Jintan City* (金壇市薛埠鎮財政所) from August 1995 to March 2007, mainly responsible for management of financial special funds and internal audit work.

Mr. Zhou also serves at various positions in Jintan Group and its subsidiaries including:

- since January 2024, has served as the chairman of the board of directors and the legal representative of Jiangsu Jintan Investment Group Co., Ltd.* (江蘇金壇投資集團有限公司);
- since September 2022, he has served as an executive director and legal representative of Changzhou Huake Longke Technology Investment Co., Ltd.* (常州華科隆科科技投資有限公司);
- since January 2022, he has served as an executive director and a legal representative of Changzhou Zhongcheng Industrial Co., Ltd* (常州眾成實業發展有限公司) ("**Changzhou Zhongcheng**"), a subsidiary of Jintan Hualuogeng;
- since December 2021, he has served as an executive director and a legal representative of Jinsha Investment;
- since December 2021, he has served as an executive director and a legal representative of Changzhou Jinsha Capital Management Co., Ltd* (常州金沙資金管理有限公司) ("**Jinsha Capital Management**"), a subsidiary of Jintan Holding;
- since October 2021, he has served as an executive director and a legal representative of Jiangsu Jiangnan Clean Energy Research Institute Co., Ltd.* (江蘇江南清潔能源研究院有限公司) ("**Jiangnan Clean Energy**"), a subsidiary of Jintan Hualuogeng;

- since May 2021, he has served as an executive director and a legal representative of Changzhou Huake Zhuolin Industrial Investment Co., Ltd.* (常州華科卓林實業投資有限公司) ("**Huake Zhuolin**"), a subsidiary of Jintan Hualuogeng;

- since December 2020, he has served as a general manager, an executive director and a legal representative of Changzhou Huakewo Industrial Investment Co., Ltd.* (常州華科沃實業投資有限公司), a subsidiary of Huake Engineering;

- since May 2018, he has served as an executive director and legal representative of Changzhou Huakeyi Technology Investment Co., Ltd.* (常州華科易科技投資有限公司), a subsidiary of Huake Engineering;

- since April 2018, he has served as a general manager, executive director and legal representative of Changzhou Huakerui Technology Investment Co., Ltd.* (常州華科瑞科技投資有限公司), a subsidiary of Huake Engineering;

- since January 2018, he has served as chairman of the supervisory committee of Changzhou ECTEK Automotive Electronic Systems Co., Ltd.* (常州易控汽車電子股份有限公司), a company primarily engaged in development and sales of automobile engine and technology promotion services;

- since January 2018, he has served as a director of Jiangsu Chengdong Construction Projects Co., Ltd* (江蘇城東建設工程有限公司), a subsidiary of Jintan Holding;

- since March 2017, he has served as an executive director of Changzhou Huake Venture Capital Co., Ltd.* (常州華科創業投資有限公司) ("**Huake Venture Capital**"), a subsidiary of Jintan Hualuogeng;

- since March 2017, he has served as an executive director and the legal representative of Huake Investment;

- since March 2017, he has served as an executive director and legal representative of Huake Engineering; and

- since March 2017, he has been serving as an employee director and general manager of Jiangsu Jintan Investment Group Co., Ltd.* (江蘇金壇投資集團有限公司).

Mr. Zhou obtained a bachelor's degree in economic management from Central Party School College of Correspondence* (中央黨校函授學院) through correspondence study (函授課程) in December 2006.

Mr. Zhang Guoqing (張國慶先生), aged 51, is the non-executive Director. Mr. Zhang has been the non-executive Director since 13 August 2019 and was designated as our non-executive Director on 10 December 2021. Mr. Zhang is responsible for providing guidance for the overall development of the Group.

Since 7 February 2023, Mr. Zhang has been serving as the employee director and general manager of Jiangsu Jintan Jincheng Technology Industry Development Co., Ltd.* (江蘇金壇金城科技產業發展有限公司). Since December 2016, Mr. Zhang has been serving as the chairman of the supervisory committee of Jintan Holding. Prior to joining Jiantan Investment, Mr. Zhang worked in Jintan Huijin Construction Investment Development Co., Ltd.* (金壇市惠金建設投資發展有限公司) from July 2013 to January 2015 and from February 2015 to December 2016, and his last position was deputy general manager and head of the general department. From June 2011 to July 2013, Mr. Zhang worked in Jintan City Finance Bureau as a member of the Economics and Construction Section. From June 2011 to July 2013, Mr. Zhang was a member of the Financial Law Enforcement and Inspection Brigade of Jintan City (金壇市財政執法稽查大隊). From December 2010 to June 2011, Mr. Zhang worked at Jintan Construction and Engineering Group Co., Ltd* (金壇建工集團有限公司), mainly responsible for internal control audit. He also worked at Construction Bureau of Jintan City in Beijing Office* (金壇市建設局駐北京辦事處) from December 2000 to December 2010, and his last position was chief of Financial Section.

Mr. Zhang also serves as various positions in Jintan Group and its respective subsidiaries including:

- since January 2022, he has been a supervisor of Changzhou Zhongcheng;
- since October 2021, he has been a supervisor of Jiangnan Clean Energy;
- since May 2021, he has been a supervisor of Huake Zhuolin;
- since April 2021, he has been a supervisor of the following companies:
  - Jintan Holdings
  - Jincheng Technology
  - Huake Engineering
  - Jinsha Capital Management
  - Changzhou Jinsha City Development Co., Ltd.* (常州金沙城市開發有限公司), a wholly-owned subsidiary of Jincheng Technology
  - Jiangsu Jintan Zhonghe Investment Co., Ltd* (江蘇金壇眾合投資有限公司), a subsidiary of Jinsha Investment
  - Huake Venture Capital
  - Jiangsu Changdang Lake Agricultural Technology Industrial Park Co., Ltd.* (江蘇長蕩湖農業科技產業園有限公司)
- since January 2021, he has been a supervisor of Changzhou Yijing Optoelectronics Technology Co., Ltd.* (常州億晶光電科技有限公司);

- since May 2017, he has been serving as an executive director and legal representative of Jiangsu Jintan Investment Group Co., Ltd.* (江蘇金壇投資集團有限公司), a subsidiary of Jinsha Investment; and

- since May 2017, he has been a director of Jiangsu Jintan Hualuogeng Technology Industry Development Co., Ltd.

Mr. Zhang has been a non-practising member of Beijing Institute of Certified Public Accountants in the PRC since September 2010.

Mr. Zhang obtained a junior college diploma in infrastructure finance from School of Water Resources, Yangzhou University* (揚州大學水利學院) in June 1994.

Mr. Li Yunxiang (李雲祥先生), aged 46, our non-executive Director. Mr. Li was appointed as our Director on 13 August 2019 and was designated as our non-executive Director on 10 December 2021. Mr. Li is mainly responsible for providing guidance for the overall development of our Group. Mr. Li also serves as a director of Fujian Company.

From February 2018 to December 2022, Mr. Li has been a member of the party committee and a deputy general manager of Jinyuan Investment and mainly responsible for the investment management, financial management and direct equity investment in Jiayuan Investment. Since January 2023, Mr. Li has served as the general manager of Jinyuan Investment and was fully responsible for daily operation. From December 2007 to December 2020, Mr. Li served successively as the deputy general manager, general manager and chairman of Xiamen Financing Guarantee Co., Ltd.* (廈門市融資擔保有限公司, formerly known as Xiamen City Guaranty Co., Ltd.* (廈門市擔保有限公司)), and currently serves as a director of this company. Since January 2023, Mr. Li has served as the chairman of the board of directors of Xiamen International Trust Co., Ltd.* (廈門國際信託有限公司).

Mr. Li also currently serves as various positions in Jinyuan Investment and its subsidiaries including:

- since 6 January 2024, he has served as a director of Xiamen Bank Co., Ltd. (廈門銀行股份有限公司);

- since July 2021, he has served as a director of Zhongbing Shunjing Equity Investment Management Co., Ltd.* (中兵順景股權投資管理有限公司);

- since December 2020, he has served as a director of Fujian Sangang (Group) Co., Ltd.* (福建三鋼(集團)有限公司);

- since June 2020, he has served as the director of Jinyuan President Securities Co., Ltd.* (金圓統一證券有限公司);

- since May 2020, he has served as a director of Xiamen Venture Capital Co., Ltd.* (廈門創業投資有限公司);

- since December 2018, he has served as a director of Jinyuan Industry Equity Investment Co., Ltd.* (廈門金圓股權投資有限公司);

- since June 2018, he has served as a director of Xiamen International Trust Co., Ltd.* (廈門國際信託有限公司);

- since April 2018, he has served as a director of Jinyuan Industry Jinkong Holdings Co., Ltd.* (廈門金圓金控股份有限公司);
- since March 2018, he has served as a director of Xiamen Asset Management Co., Ltd.* (廈門資產管理有限公司);
- since March 2018, he has served as a director of Xiamen Financial Holdings Co., Ltd.* (廈門金融控股有限公司); and
- since January 2018, he has served as a director of Jinyuan Capital Management (Xiamen) Co., Ltd* (金圓資本(廈門)有限公司).

Mr. Li received the honor of "'senior elite' high-level financial talent"* ("高級精英型"高層次金融人才) by the Xiamen Local Financial Supervision and Administration Bureau (廈門市地方金融監督管理局) in October 2020, and was awarded the "Tenth Batch of Top Talents in Xiamen" ("廈門市第十批拔尖人才") by the Xiamen Municipal People's Government in October 2019.

Mr. Li obtained a junior college diploma in finance from School of Finance and Economics, Jimei University* (集美大學) in July 1997 and a master's degree in business administration from Xiamen University (廈門大學) in June 2008.

Independent non-executive Directors

Mr. Wu Guangquan (吳光權先生), aged 61, is our independent non-executive Director. Mr. Wu joined our Group and was appointed as an independent non-executive Director on 25 December 2021. Mr. Wu is primarily responsible for providing independent advice and judgment to our Board, thereby protecting the overall interest of our Company. Mr. Wu is the chairman of our Remuneration Committee and a member of our Audit Committee and Nomination Committee.

Mr. Wu has accumulated extensive experience in the field of corporate governance and business development through his past experiences. Mr. Wu has served as the chairman of the presidium of China Federation of Industrial Economics (中國工業經濟聯合會) from July 2019, which is a joint organization of the National Industrial Associations (全國工業行業協會) with its goal to actively promote the transformation of China's industrialization and technology innovation. Since July 2019, he served as chairman of the Council of Federation of Shenzhen Industries (深圳工業總會), an organization aiming to nurture and establish associations of various industries, promote technological innovation and the transformation and upgrading of enterprises in industrial sector. From May 2017 to July 2019, Mr. Wu served as the chairman of the board of directors, and secretary of the leading party member's sub-group (分黨組書記) at China Aviation Industry General Aircraft Co., Ltd.* (中航通用飛機有限公司) and was mainly responsible for its overall management. From December 2016 to May 2017, he served as special commissioner of AVIC. From February 2010 to December 2016, he worked at AVIC International Holdings Co., Ltd *(中國航空技術國際控股有限公司) ("**AVIC International**"). During his tenure at AVIC International, he held various positions and his last position was chairman of the board of directors and secretary of leading party sub-group (分黨組書記). From September 2002 to February 2010, Mr. Wu worked at AVIC Technology Shenzhen Limited* (中國航空技術深圳有限公司) (formerly known as AVIC Technology International Holdings Shenzhen Co., Ltd* (中國航空技術國際控股深圳有限公司) ("**AVIC Shenzhen**") where his last position was chairman of the board of directors and general manager. During the term of his office at AVIC Shenzhen, Mr. Wu also served as the chairman of several listed companies under AVIC Shenzhen.

From May 1997 to April 2000, he served as the general manager of Jiangxi Jiangnan Trust Joint Stock Company Limited* (江西江南信託投資股份有限公司) (formerly known as AVIC Trust Co., Ltd* (中航信託股份有限公司)). From August 1982 to May 1997, Mr. Wu worked at AVIC Shenzhen holding various positions and his last position is deputy general accountant and manager of the financial department. Mr. Wu obtained the qualification of senior accountant from AVIC on 28 February 1996.

Mr. Wu obtained a diploma in industrial accounting from Zhengzhou University of Aeronautics* (鄭州航空工業管理學院) in July 1982 and received a master's degree of business administration from Tongji University (同濟大學) in July 1999.

Mr. Wang Susheng (王蘇生先生), aged 55, is our independent non-executive Director. Mr. Wang joined our Group and was appointed as our independent non-executive Director on 25 December 2021. Mr. Wang is mainly responsible for supervising and providing judgment to our Board, thereby protecting the overall interest of our Company. Mr. Wang is the chairman of our Audit Committee.

Mr. Wang has extensive experience in investment, financial and corporate management. Since April 2017, Mr. Wang has been a professor and doctoral supervisor in the Department of Finance of Southern University of Science and Technology* (南方科技大學). From July 2003 to April 2017, Mr. Wang worked at the Economics and Management School of Harbin Institute of Technology Shenzhen Graduate School* (哈爾濱工業大學深圳研究生院) as a professor.

Mr. Wang also currently serves as an independent director of Changyuan Technology Group Joint Stock Company Limited* (長園科技集團股份有限公司), a company whose shares are listed on the Shanghai Stock Exchange (stock code: 600525), and is principally engaged in the R&D and manufacturing of intelligent digitalization of industrial and power systems;

Mr. Wang has been qualified as a certified public accountant (non-practising member) in the PRC since May 1997.

Mr. Wang graduated with a bachelor of science degree from Changsha Electric Power College* (長沙電力學院) in July 1991 and he graduated from Renmin University of China (中國人民大學) with a master's degree in economics in 1994. Mr. Wang received his doctor of law degree in international economic law from School of Law, Peking University (北京大學) in July 2000 and postdoctoral degree in management from School of Economics and Management, Tsinghua University (清華大學) in July 2002. Mr. Wang also held a master's degree in business administration from University of Chicago in May 2004.

Mr. Chen Zetong (陳澤桐先生), aged 53, is our independent non-executive Director. Mr. Chen joined our Group and was appointed as our independent non-executive Director on 25 December 2021. Mr. Chen is mainly responsible for supervising and providing judgment to our Board, thereby protecting the overall interest of our Company. Mr. Chen is the chairman of our Nomination Committee and a member of our Audit Committee and Remuneration Committee.

Mr. Chen has extensive experience on providing advice on corporate finance, dispute resolution and mergers and acquisition for listed companies and State-owned enterprises. Since August 2012, Mr. Chen has been a senior partner at Junzejun Law Offices (君澤君律師事務所). From 2010 to 2012, Mr. Chen was a counsel at King & Wood Mallesons (金杜律師事務所). From 1994 to 2010, Mr. Chen served at various positions at Shenzhen Intermediate People's Court where his last position was deputy chief judge at the Company Liquidation and Bankruptcy Tribunal of Shenzhen Intermediate People's Court* (深圳市中級人民法院(公司清算與破產審判庭)). From May 2014 to June 2020, he served as an independent director of Hubei Sanxia New Building Materials Co., Ltd. (湖北三峽新型建材股份有限公司), a company whose shares are listed on the Shanghai Stock Exchange (stock code: 600293). From November 2016 to 2019, Mr. Chen served as an independent non-executive director of Hong Kong New Sports Group Limited, a company whose shares are listed on the Main Board of Stock Exchange (currently known as Glory Sun Land Group Limited) (stock code: 00299).

Mr. Chen also currently serves as independent director at other companies including:

- Sino Life Insurance Co., Ltd* (生命人壽保險有限公司);
- Sino Life Asset Management Co., Ltd* (生命保險資產管理有限公司);
- Sino Life Insurance Holding Joint Stock Limited Company* (生命保險控股股份有限公司); and
- Shenzhen Nanshan Power Co., Ltd* (深圳南山熱電股份有限公司), a company whose shares are listed on Shenzhen Stock Exchange (stock code: 000037) and principally engaged in production and operation of power supply, heating and general contracting of construction projects of power plants.

Mr. Chen is a registered foreign lawyer in Hong Kong, and a member of the Law Society of Hong Kong. He is also a qualified lawyer in the PRC. Mr. Chen is an arbitrator at China International Economic and Trade Arbitration Commission (中國國際經濟貿易仲裁委員會) and Shenzhen Court of International Arbitration (深圳國際仲裁院). Mr. Chen graduated from Southwest University of Political Science & Law (西南政法大學) with a bachelor's degree in economic law in July 1994 and received his master's degree in common law from University of Hong Kong in December 2003. He also obtained a doctoral degree in civil and commercial law from Jilin University (吉林大學) in December 2008.

SUPERVISORS

Mr. Jiang Jinhua (姜金華先生), aged 51, is our Shareholder representative Supervisor and chairman of the Supervisory Committee. Mr. Jiang joined our Group on 7 February 2021 and was appointed as our Supervisor on the same day. Mr. Jiang is mainly responsible for supervising our Directors and senior management of our Company on fulfillment of their duties.

Since January 2024, Mr. Jiang has been the chairman and legal representative of Jiangsu Jintan Construction Development Co., Ltd.* (江蘇金壇建設發展有限公司), mainly responsible for the overall management of Jintan Construction.

Since September 2021, he has been serving as the executive director and general manager of Jiangsu Jintan Zhonghe Investment Co., Ltd.

From December 2020 to January 2024, Mr. Jiang has served as the party secretary and chairman of the board of directors for Jintan Holding, and is mainly responsible for the party committee work of Jintan Holding. Prior to joining our Group, Mr. Jiang served as party working committee secretary (黨工委書記) at Xicheng Sub-District of Jintan District* (金壇區西城街道) from March 2019 to December 2020. From May 2017 to March 2019, he was the director of the district committee office of Jintan District Committee Office* (金壇區委辦公室) where he was primarily responsible for the overall work and reform of the Jintan District Committee Office. Prior to that, he worked as deputy secretary of the party committee and town mayor (黨委副書記及鎮長) of Zhiqian Town, Jintan District* (金壇區指前鎮) from December 2013 to May 2017. From August 2006 to December 2013, Mr. Jiang worked at various positions at party committee of Jincheng Town, Jintan District* (金壇區金城鎮黨委) where his last position was deputy secretary of the party committee (黨委副書記) and director of Political Consultation Conference Working Committee (政協工委主任) of Jincheng Town of Jintan District, and is mainly responsible for the party building and work of the Political Consultative Conference Working Committee of Jincheng Town.

Mr. Jiang received his bachelor's degree in fine chemicals from Jiangsu Institute of Petrochemical Technology* (江蘇石油化工學院), (currently known as Changzhou University (常州大學)) in June 1996.

Ms. Cheng Yan (程雁女士), aged 49, is our Shareholder representative Supervisor. Ms. Cheng joined our Group on 13 August 2019 and was appointed as our Supervisor on the same day. Ms. Cheng is mainly responsible for supervising our Directors and senior management of our Company fulfillment of their duties. Ms. Cheng possesses extensive experience in the fields of financial and corporate governance. Ms. Cheng joined Chengfei Integration since January 2002, a company primarily engaged in the design, development and manufacturing of the tools and dies, with typical products such as the dies for the large and high-grade outer skin panels used in medium and high-grade cars and has successively served as various positions including planner of planning department, person in charge of planning department, person in charge of securities department, person in charge of project department and secretary of the third to eighth board of directors of Chengfei Integration. Currently, she is a member of the Party Committee, director, chief accountant, board secretary, general legal counsel, and chief compliance officer of Chengfei Integration, mainly responsible for Chengfei Integration's financial work, legal and compliance affairs, information disclosure related matters, management of relationship with investors and dealing with matters in relation to the board meetings.

Ms. Cheng also holds various positions in subsidiaries of Chengfei Integration, including:

- a supervisor of Shanghai Aerospace Engine Manufacturing Co., Ltd. (上海航空發動機製造股份有限公司) since June 2021;

- a director of Anhui Jiwen Integrated Body Panels Co., Ltd. (安徽吉文集成車身覆蓋件有限公司) since May 2023;

Ms. Cheng has received a number of awards over the years including:

- rated 4A in the performance evaluation of the board secretaries by the Association of Listed Companies in 2023;

- excellent Board Secretary of the 14th "Tianma Award" for Investor Relations of Listed Companies in China by Securities Times in 2023;

- excellent Board Secretary of Listed Companies in Sichuan Province of the Year (四川上市公司年度優秀董事會秘書) for years of 2016, 2015 and 2013 awarded by Sichuan Association of Listed Companies in October 2017, July 2016 and July 2014, respectively;

- top 100 Board Secretaries of Listed Companies in China's Small and Medium Enterprise Board 2011 (2011 中國中小板上市公司百佳董秘) and top 100 Board Secretaries of Listed Companies in China's Small and Medium Enterprise Board 2010 (2010 中國中小板上市公司百佳董秘) awarded by Securities Times in 2012 and 2011, respectively.

Ms. Cheng has been a Senior International Finance Manager (高級國際財務管理師) jointly recognized by International Financial Management Association and China Association of Chief Financial Officers since June 2010. She has also been a Senior Economist (高級經濟師) recognized by Ministry of Human Resources and Social Security of the PRC since September 2020.

Ms. Cheng graduated from Northwestern Polytechnical University (西北工業大學) with a bachelor's degree in machinery manufacturing process and equipment in July 1996, and she has obtained a master's degree in business administration from Southwestern University of Finance and Economics (西南財經大學) in December 2001.

Ms. Nian Mingzhu (念明珠女士), aged 37, is our employee representative Supervisor. Ms. Nian joined our Group on 15 July 2019 and was appointed as our Supervisor on 15 September 2020. She is mainly responsible for supervising our Directors and senior management of our Company on fulfillment of their duties. Apart from being our Supervisor, she worked as an equipment procurement director at Xiamen Company from July 2019 to September 2020 and has been the equipment procurement director of our Company since September 2020 to November 2023. Ms. Nian is mainly responsible for supervising our Group's equipment procurement. Since November 2023, she has been a purchasing specialist of the cell purchasing department, primarily responsible for the delivery of cathode materials. Ms. Nian also serves as a supervisor for Jiangsu Company, Jiangsu Research Institute, Hefei Company, Chengdu Company, Wuhan Company, Shenzhen Research Institute, Xiamen Company, Fujian Company, Jiangmen Company, Sichuan Company and Smart Energy.

Prior to joining our Group, Ms. Nian worked at Xiamen Tianma Microelectronics Co., Ltd.* (廈門天馬微電子有限公司), a subsidiary of Tianma, successively as capital accountant, asset accountant and auditor from July 2011 to July 2019 and was mainly responsible for its daily capital management, asset accounting, annual audit of the financial statements of overseas subsidiaries, various special management audits and accountability audits of the senior management.

Ms. Nian obtained her bachelor's degree in financial management from Fujian Normal University (福建師範大學) in June 2011.

SENIOR MANAGEMENT

Ms. Liu Jingyu (劉靜瑜女士), aged 54, is the chairwoman of the Board, our executive Director and chief executive officer of our Company. For the biography of Ms. Liu, please see "Directors – Executive Directors" of this section.

Dr. Pan Fangfang (潘芳芳博士), aged 39, joined our Group on 8 December 2015 and was appointed as senior vice president and chief technology officer of our Company on 5 September 2019. She is mainly responsible for the market strategy, product strategy, R&D, intellectual property of our Group. Dr. Pan also served as the person-in-charge of Shanghai Branch Co. of the Company on 28 July 2022.

Dr. Pan has over ten years of experience in the R&D of battery. From July 2011 to April 2019, she successively served as the director of the battery materials office, the director of the battery design office, the director of the battery design institute, the project chief engineer, the deputy chief engineer and the chief technology officer of Luoyang Company, and was mainly responsible for material R&D, battery products development, scientific research management and major project research.

In September 2017, Dr. Pan obtained the qualification of a senior engineer awarded by AVIC.

Dr. Pan received many honors, including:

- In May 2023, she was awarded the "Jiangsu Youth May Fourth Medal" (江蘇青年五四獎章) jointly by Jiangsu Province Committee of Communist Youth League of China (共青團江蘇省委) and Jiangsu Youth Federation (江蘇省青年聯合會);

- In May 2022, she was awarded the "Ten Outstanding Young People in Changzhou" (常州市十大傑出青年) by Changzhou Municipal Committee of the Communist Youth League and Changzhou Daily;

- In March 2022, she was awarded the "March 8 Red Flag Bearer of Jiangsu Province" (江蘇省三八紅旗手) by the People's Government of Jiangsu Province;

- In March 2022, she was awarded the "Most Beautiful Woman of Changzhou" (常州市最美巾幗人物) by the People's Government of Jiangsu Province;

- In October 2021, she was awarded the "Top Talent of Changzhou 'Dragon City Talent Program'" (常州市"龍城英才計劃"頂尖人才) by Changzhou Talent Work Leading Group Office;

- in February 2021, she was awarded the honorary title of "2020 Outstanding Entrepreneur" (2020 年度優秀企業家) by the People's Government of Jintan District, Changzhou City;

- in February 2021, she was awarded the honorary title of "2016-2020 Advanced Person of Moving Jintan" (2016-2020 年感動金壇先進人物) by the People's Government of Jintan District, Changzhou City;
- in June 2019, she was appointed as a member of the Technical Committee of Jiangsu Power and Energy Storage Battery Industry Innovation Alliance* (江蘇省動力及儲能電池產業創新聯盟技術委員會);
- in April 2019, she was awarded the honorary title of "Outstanding Expert of Luoyang City" (洛陽市優秀專家) by the People's Government of Luoyang City;
- in January 2019, she was awarded the honorary title of "Leader of Academic Technology in Henan Province" (河南省學術技術帶頭人) by the People's Government of Henan Province;
- in January 2019, she was awarded the second prize of Henan Science and Technology Progress Award (河南省科學技術進步獎) by the People's Government of Henan Province for the project of "Technology Development of High Specific Energy EV Battery Based on Hybrid Cathode Material" (基於混合正極材料的高比能量動力電池技術開發);
- in October 2017, she was awarded the honorary title of "Winner of Luoyang Youth Science and Technology Award" (洛陽市青年科技獎獲獎者) by the Luoyang Talent Work Leading Group (洛陽市人才工作領導小組);
- in September 2017, she was awarded the second prize of the Fujian Science and Technology Progress Award by the People's Government of Fujian Province (福建省科學技術進步獎) for the project of "High-Safety Ceramic Separator and Its Application in Power Lithium-ion Batteries" (高安全陶瓷隔膜及其在動力鋰離子電池中的應用);
- in December 2016, she was awarded the second prize of Henan Science and Technology Progress Award (河南省科學技術進步獎) by the People's Government of Henan Province for the project of "High Safety CAM72FI Metal Shell Lithium-ion EV Battery" (高安全性 CAM72FI 金屬殼鋰離子動力電池);
- in July 2015, she was awarded the first prize of the Luoyang Science and Technology Progress Award (洛陽市科學技術進步獎) by the Luoyang Municipal People's Government for the project of "CAM72FI Metal Shell Battery Development" (CAM72FI 金屬殼電池研製); and
- in March 2015, she was awarded the honorary title of "Outstanding Scientific and Technological Worker" (優秀科技工作者) by AVIC. Dr. Pan obtained her doctoral degree in physical chemistry from University of Science and Technology of China (中國科學技術大學) in June 2011.

Mr. Dai Ying (戴穎先生), aged 45, is our executive Director (employee representative Director), senior vice president and joint company secretary of our Company. For the biography of Mr. Dai, please see "Directors – Executive Directors" of this section.

Mr. Geng Yan'an (耿言安先生), aged 41, joined our Group on 1 July 2018 and was appointed as senior vice president on 6 August 2018, responsible for the procurement and information technology work of our Group. Mr. Geng is the legal representative, director and general manager of Chengdu Company, Sichuan Company and Sichuan Ganmei. Mr. Geng is also the legal representative and general manager of Materials Company.

Prior to joining our Group, Mr. Geng served as assistant president at Tianma from February 2014 to January 2018 and was mainly responsible for Tianma's engagement of finance and information technology, during which time he was also responsible for procurement, business management and administrative management. He also served as the financial controller of Tianma from January 2012 to January 2014. From October 2010 to December 2011, Mr. Geng served as the financial controller at Shanghai AVIC Optoelectronics Co., Ltd.* (上海中航光電子有限公司). From February 2009 to December 2011, he worked as the financial controller at Chengdu Tianma Microelectronics Co., Ltd.* (成都天馬微電子股份有限公司), a subsidiary of Tianma. From January 2007 to January 2009, he worked as a financial accountant of Shanghai Tianma Microelectronics Co., Ltd.* (上海天馬微電子股份有限公司), a subsidiary of Tianma. Mr. Geng earned his bachelor's degree of management in accounting from Anhui University of Technology (安徽工業大學) in July 2003.

Ms. Gao Yan (高豔女士), aged 40, joined our Group on 20 April 2020 and was appointed as vice president on 25 April 2020. Ms. Gao is the financial controller of our Group and mainly responsible for the financial and human resources of our Group. She also served as the person-in-charge of the Beijing Branch of the Company.

Ms. Gao has over 15 years of experience in finance. Prior to joining our Group, she worked successively at Tianma as a financial accountant from April 2008 to May 2010, as a financial manager from June 2010 to April 2015 and as financial controller from May 2015 to April 2020, where she was primarily responsible for the operation of accounting body of Tianma.

Ms. Gao obtained her bachelor's and master's degree of management in accounting from Central South University (中南大學) in June 2005 and December 2007, respectively.

Mr. Wang Xiaoqiang (王小強先生), aged 39, joined our Group on 8 December 2015, has been serving as the deputy secretary of the Party Committee of the Company since August 2019 and was appointed as vice president of our Company on 15 November 2021. Mr. Wang is mainly responsible for the manufacturing technology and quality of our group, coordinating the development of energy storage business of our Group. Mr. Wang has been the legal representative and general manager of Jiangsu Company since 23 June 2021. Mr. Wang has been serving as the legal representative, director and general manager of Jiangsu Innovation Center since 1 November 2021. Mr. Wang has been serving as the legal representative and general manager of Jiangsu Research Institute since 1 February 2023.

Mr. Wang served as vice general manager of our Company from August 2016 to August 2018, and was mainly responsible for the relevant engagement of our Company's overall operation and manufacturing. From August 2013 to September 2015, he had successively served as vice general manager and general manager of the manufacturing department at Luoyang Company and was mainly responsible for the engagement of crafts technology, equipment technology and manufacturing management. He served as the plant manager at the One Factory* (精益一廠) of the manufacturing department of Luoyang Company from September 2011 to July 2013 and was mainly responsible for production management of the sub-factory. He also served as engineer at the process technology department of Luoyang Company from October 2010 to August 2011 and was mainly responsible for the engagement of crafts development. Prior to joining of Luoyang Company, he served as technical engineer at Stainless Steel Tubes & Pipes Co., Tisco* (山西太鋼不銹鋼鋼管有限公司) from July 2009 to October 2010 and was mainly responsible for workshop crafts.

Mr. Wang obtained a bachelor's degree in material science and engineering from Zhengzhou University (鄭州大學) in July 2006 and a master's degree in material science from University of Science and Technology Beijing (北京科技大學) in June 2009.

Mr. He Fan (何凡先生), aged 46, joined our Group on 20 August 2018 and was appointed as vice president of our Company on 15 November 2021. Mr. He is responsible for the manufacturing operations, engineering construction, environmental safety of our group. Mr. He also acts as the legal representative, director and general manager of Wuhan Company.

Before being appointed as vice president of our Company, Mr. He acted as the assistant to general manager of our Company from August 2018 to November 2021 and was mainly responsible for engineering and construction. Prior to joining our Group, Mr. He had successively served as senior manager of factory affairs, deputy director of factory affairs, and director of factory affairs in Tianma from July 2011 to November 2017 and was mainly responsible for project construction and operation management. From April 2007 to June 2011, he had successively served as environment safety engineer and environment safety manager in Tianma.

Mr. He obtained his bachelor's degree in environment engineer from Suzhou Urban Construction and Environmental Protection Institute* (蘇州城建環保學院) in June 2001.

Mr. Xie Qiu (謝秋先生), aged 41, joined our Group on 8 December 2015 and was appointed as vice president of our Company on 15 November 2021. Mr. Xie is mainly responsible for the sales of in-vehicle business and research and development of in-vehicle battery products of our Group.

Before being appointed as vice president of our Company, Mr. Xie acted as the assistant to general manager of our Company from July 2019 to October 2021 and was mainly responsible for sales of domestic passenger vehicles. From January 2019 to June 2019, he was a senior product director of marketing center of our Company and was mainly responsible for development of passenger vehicle products. Prior to joining our Group, Mr. Xie had successively served as the head of engineering department, the deputy president of technology research institute and the deputy chief engineer of the science and technology department at Luoyang Company from September 2008 to December 2018, and was mainly responsible for project management and development of battery pack products. From November 2007 to August 2008, he served as an engineer in the engineering department at Luoyang Company, and was mainly responsible for the development of battery pack products. From August 2006 to October 2007, Mr. Xie served as an engineer at the engineering department of Cama (Luoyang) Electromechanic Co., Ltd.* (凱邁(洛陽)機電有限公司) and was responsible for product development.

Mr. Xie has obtained the qualification of senior engineer from AVIC in 2016. He received the first prize of Luoyang Science and Technology Progress Award (洛陽市科學技術進步獎) for the project "research on lithium energy storage technology of large-scale wind-solar storage and transportation system*" (大規模風光儲輸綜合系統鋰電儲能技術研究) awarded by People's Government of Luoyang City in June 2016. He was also awarded the AVIC Science and Technology Award* (中航工業集團科學技術獎) for the project "High reliability CA60F I lithium-ion EV battery*" (高可靠性 CA60F I 鋰離子動力電池) by AVIC in December 2015. In January 2014, he was awarded the second prize of the Science and Technology Progress Award of Henan Province (河南省科學技術進步獎) by the People's Government of Henan Province for the project of "Megawattlevel Lithium-ion Battery Grid Peak-shaving Energy Storage System" (兆瓦級鋰離子電池電網調峰儲能系統).

Mr. Xie obtained his bachelor's engineering degree in computer science and technology from Harbin Engineering University (哈爾濱工程大學) in June 2006.

JOINT COMPANY SECRETARIES

Mr. Dai Ying (戴穎先生) was appointed as one of the joint company secretaries of our Company on 6 January 2022. For the biography of Mr. Dai, please see "Directors – Executive Directors" of this section.

Mr. Cheung Kai Cheong Willie (張啟昌先生) was appointed as the other joint company secretary of our Company on 6 January 2022. Mr. Cheung is a senior manager of SWCS Corporate Services Group (Hong Kong) Limited mainly responsible for assisting listed companies in professional company secretarial work. Prior to joining SWCS Corporate Services Group (Hong Kong) Limited, Mr. Cheung served as the company secretary of certain companies, each of which is listed on the Stock Exchange. Mr. Cheung is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in the United Kingdom.

Mr. Cheung obtained a Bachelor Degree of Arts (Honors) in Accounting and Finance at the University of Glamorgan in the United Kingdom in June 1996.

Corporate Governance Report

The Board hereby presents the corporate governance report (the "**Corporate Governance Report**") of the Company for the year ended 31 December 2023.

Corporate Governance Practices

The Board is committed to maintaining a high standard of corporate governance and has established and implemented good corporate governance practices to comply with the legal and regulatory requirements on management structure, internal control, risk management and information disclosure, so as to achieve effective transparency and accountability to safeguard the interests of all shareholders.

The Company has adopted the code provisions of the Corporate Governance Code (the "**CG Code**") set out in Appendix C1 to the Listing Rules as its own corporate governance code since 6 October 2022 (the "**Listing Date**"). During the Reporting Period, the Company has complied with all the applicable code provisions set out in the CG Code, except for the following deviations:

Pursuant to code provision C.2.1 of the CG Code, the roles of chairperson and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairperson and chief executive officer should be clearly established and set out in writing.

Ms. Liu Jingyu is the chairwoman of the Board as well as the president of our Company, mainly responsible for overall strategic planning and operational decision of the Group. Taking into consideration the Company's current situation, the Board believes that vesting the roles of both chairwoman of the Board and president in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Directors also consider that the balance of responsibility and authority under the present arrangement will not be impaired, and this structure will enable our Company to make and implement decisions promptly and effectively. Under the leadership of Ms. Liu Jingyu, the Board works efficiently and performs its responsibilities with all key and appropriate issues discussed in a timely manner. In addition, as all major decisions are made in consultation with members of the Board and relevant Board committees, and there are three independent non-executive Directors on the Board offering independent perspective, the Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board. The Board shall nevertheless review the structure and composition of the Board from time to time in light of prevailing circumstances, to maintain a high standard of corporate governance practices of our Company.

The Board will continue to review its corporate governance practices to ensure that it continues to comply with the CG Code and is in line with the latest developments of the regulatory authorities.

Culture

Mission: We shoulder the mission of energy safety for mankind. We drive the positive development of the industry with innovative concepts and leading core technologies. Adhering to our corporate spirit of "beyond commerce, bettering mankind", we are committed to leading the new energy era.

Values: sincerity, efficiency and win-win.

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

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

BOARD OF DIRECTORS

Composition of the Board

The Board delegates certain responsibilities to various dedicated committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee in accordance with relevant PRC laws, regulations, the Articles of Association and the Listing Rules. The appointment of the respective committee members was approved by the Shareholders at the Shareholders' general meeting on 25 December 2021.

Our Company has established a Board, which comprises 8 Directors, including 2 executive Directors, 3 non-executive Directors and 3 independent non-executive Directors. The Board shall have one chairperson. The chairperson of the Board shall be elected and removed by more than one half of all Directors. The term of office of the chairperson shall be three years. Chairperson may serve consecutive terms if re-elected upon the expiration of his/her term of office.

Executive Directors

Ms. Liu Jingyu *(Chairwoman of the Board and president)*
Mr. Dai Ying

Non-executive Directors

Mr. Zhou Sheng
Mr. Zhang Guoqing
Mr. Li Yunxiang

Independent non-executive Directors

Mr. Wu Guangquan
Mr. Wang Susheng
Mr. Chen Zetong

The biographical details of the Directors are set out in the section of "Profile of Directors, Supervisors and Senior Management" of this report. To the best knowledge of the Directors, none of them has any personal relationship (including financial, business, family or other material/relevant relationship(s)) with any other Directors, the chairwoman and the chief executives of the Company. The Company considers that the composition of the Board has been well balanced. Each of the Directors has the relevant experience, knowledge and expertise that can contribute to the business of the Company. The executive Directors oversee the day-to-day operations of the Group, while the independent non-executive Directors provide independent judgement to the decision-making process of the Board.

Responsibilities, accountabilities and contributions of the Board and management

The Company has formalized and adopted written terms on the division of functions reserved to the Board and those delegated to the management of the Company. The Board reserves for its decision on all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, risk management and internal control systems, material transactions (in particular those that may involve conflict of interests), financial data, appointment of Directors and other significant financial and operational matters.

All Directors have full and timely access to the relevant data of the Group as well as the advice and services of the joint company secretary and senior management of the Company, in order to ensure compliance with the Board procedures and all applicable laws and regulations. Any Director may request independent professional advice in appropriate circumstances at the Company's expense, upon reasonable request being made to the Board. The Board has delegated the responsibility for implementing its corporate strategies and the day-to-day management, operation and administration to the management of the Company under the leadership of the executive Directors. Clear guidance has been made as to the matters that should be reserved to the Board for its decision which include matters on, inter alia, capital, finance and financial reporting, internal control, communication with Shareholders, Board composition, delegation of authority and corporate governance. The Board periodically reviews the delegated functions and work tasks. Prior to entering into any significant transactions, the aforesaid officers have to obtain the Board' approval.

The Board recognizes that corporate governance should be the collective responsibility of the Directors which includes:

(1) to develop and review the policies and practices on corporate governance of the Company and make recommendations to the Board;

(2) to review and monitor the training and continuous professional development of Directors and senior management;

(3) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(4) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to Directors and employees; and

(5) to review the Company's compliance with the CG Code and disclosure in the corporate governance report of the Company.

Continuous professional development of Directors

All Directors have been given relevant guideline materials in relation to the responsibilities and obligations of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest and business of the Company and such induction materials will also be provided to newly appointed Directors shortly upon their appointment as Directors to ensure that he or she has a proper understanding of the operation and business of the Company and full awareness of Directors' responsibilities and obligation under the Listing Rules and relevant statutory requirements. All Directors have been provided monthly updates giving a balanced and understandable assessment of the Group's performance, financial position and prospects to keep the Directors' abreast of the Group's affairs in order to discharge their duties. All Directors are also updated from time to time on the latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices, as set out in their respective terms of reference which are available on the websites of the Stock Exchange and the Company.

During the year ended 31 December 2023, all Directors had participated in continuous professional development in the following manner in compliance with code provision C.1.4 of the CG Code:

	Continuous professional development	
Directors	**Attend trainings**	**Read materials**
Executive Directors		
Liu Jingyu	√	√
Dai Ying	√	√
Non-executive Directors		
Zhou Sheng	√	√
Zhang Guoqing	√	√
Li Yunxiang	√	√
Independent Non-executive Directors		
Wu Guangquan	√	√
Wang Susheng	√	√
Chen Zetong	√	√

Appointment, re-election and removal

Directors shall be elected or replaced at the general meetings for a term of 3 years. Upon expiration of the term of office, a Director shall be eligible to offer himself/herself for re-election and re-appointment, but the term of office of an independent Director shall not exceed 6 years, unless otherwise provided by relevant laws, regulations and the listing rules of the stock exchange where the Company's shares are listed. The term of office of a director shall commence from his/her accession till the expiry of the term of the current session of the Board. Where election of directors fails to be timely conducted upon expiry of the term of office of the former directors, the former directors shall, prior to the accession of the newly elected directors, perform their duties as directors in accordance with laws, administrative regulations, departmental rules and the Articles of Association.

Subject to the relevant laws and regulations, and the regulatory rules of the jurisdictions where the Company's shares are listed, any person appointed by the Board to fill a casual vacancy on the Board or as an addition to the Board shall hold office only until the next annual general meeting of the Company and shall then be eligible for re-election.

When a Director's resignation becomes effective or his/her term of office expires, he/she shall duly carry out all handover procedures with the Board. His/her fiduciary obligations to the Company and Shareholders shall not necessarily terminate from the end of his/her term of office and shall remain effective within a reasonable period as specified in the Articles of Association.

If any Director fails to attend in person or appoint other Directors as his/her representative to attend meetings of the Board for two consecutive times, such Director shall be deemed to have failed to perform his duties, and the Board shall propose to replace such Director at the general meeting.

Independent Non-executive Directors

During the year ended 31 December 2023, the Company has complied with Rules 3.10(1) and (2) and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive Directors, representing more than one-third of the Board and at least one of them has appropriate professional qualifications or accounting or related financial management expertise. All independent non-executive Directors also meet the guidelines for assessment of their independence pursuant to Rule 3.13 of the Listing Rules. The Company has received a confirmation of independence from each of the independent non-executive Directors as required under the Rule 3.13 of the Listing Rules for the year ended 31 December 2023 and considers all the independent non-executive Directors to be independent. The Board will assess its independence annually.

Board meetings

Pursuant to the CG Code and the Articles of Association, the Board is scheduled to meet regularly at least four times a year, to discuss the overall strategy as well as the operational and financial performance of the Company. Other Board meetings will be held when necessary.

Board members were provided with complete, adequate and timely data to allow them to fulfill their duties properly.

Notices for regular Board meetings and meeting agenda are sent to all Directors, supervisors and general manager in advance. Notice of at least 14 days is given for a regular Board meeting. For other Board meetings, all Directors, supervisors and general manager shall be notified within a reasonable period (not less than five days) prior to the meeting. Board papers together with all appropriate, complete and relevant data are dispatched to all Directors at least three days before each regular Board meeting to ensure that the Directors have sufficient time to review the related documents and be adequately prepared for the meeting.

The joint company secretary is responsible for keeping minutes of all Board and committee meetings. Draft minutes are normally circulated to all Directors for comments within a reasonable period after each meeting and the final version is open to Directors for inspection. The Articles of Association contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

Directors' attendance records

During the Reporting Period, eight Board meetings and six general meetings were held. The attendance records of Directors are set out below:

	Meetings of the Board Attendance rate/Number of meetings	General meetings Attendance rate/Number of meetings
Ms. Liu Jingyu	8/8	6/6
Mr. Dai Ying	8/8	6/6
Mr. Zhou Sheng	8/8	6/6
Mr. Zhang Guoqing	8/8	6/6
Mr. Li Yunxiang	8/8	6/6
Mr. Wu Guangquan	8/8	6/6
Mr. Wang Susheng	8/8	6/6
Mr. Chen Zetong	8/8	6/6

During the Reporting Period, one meeting was held between the chairwoman of the Board and the independent non-executive Directors without the presence of other Directors.

Chairperson and president

Pursuant to code provision C.2.1 of the CG Code, the roles of the chairperson and the president should be separate and should not be performed by the same individual. Ms. Liu Jingyu is the chairwoman of the Board and the president of the Company, mainly responsible for the overall strategic planning and operational decision-making of the Group. Taking into consideration the Company's current situation, the Directors believe that the roles of chairwoman and president in the same person are beneficial to ensure consistent leadership within the Group and enable the Group to formulate overall strategic planning more effectively and efficiently. The Directors also believe that the current arrangement will not impair the balance of duties and authority and the structure will enable the Company to make decisions and implement them in a timely and effective manner. Under the leadership of Ms. Liu Jingyu, the Board functions effectively and discharges its responsibilities to discuss all important and appropriate issues in a timely manner. In addition, as all major decisions are made in consultation with members of the Board and the relevant Board committees, and the Board has three independent non-executive Directors to provide independent views, the Board considers that there are adequate safeguards to ensure an adequate balance of powers of the Board. However, the Board will review the structure and composition of the Board from time to time to maintain a high standard of corporate governance practices of the Company.

Terms of appointment of non-executive Directors

Pursuant to the Articles 96 and 106 of the Articles of Association, Directors shall be elected or replaced at the general meetings for a term of 3 years. Upon expiration of the term of office, a Director shall be eligible to offer himself for re-election and re-appointment, but the term of office of an independent Director shall not exceed 6 years, unless otherwise provided by relevant laws, regulations and the listing rules of the stock exchange where the Company's shares are listed. The term of office of a Director shall commence from his accession till the expiry of the term of the current session of the Board. Where election of Directors fails to be timely conducted upon expiry of the term of office of the former Directors, the former Directors shall, prior to the accession of the newly elected directors, perform their duties as directors in accordance with laws, administrative regulations, departmental rules and the Articles of Association.

Each of the non-executive Directors and independent non-executive Directors has entered into an appointment letter with the Company for a term of three years commencing from the Listing Date.

Board committees

The Board has established three Board committees, namely, the audit committee (the "**Audit Committee**"), the remuneration committee (the "**Remuneration Committee**") and the nomination committee (the "**Nomination Committee**"), to assist them in the efficient implementation of their functions and to oversee particular aspects of the Company's affairs. Specific responsibilities, as set out in their respective terms of reference which are available on the websites of the Stock Exchange and the Company, have been delegated to the above committees and the corporate governance duties as required under the CG Code have been performed. All committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

Audit Committee

The Audit Committee was established by the Company in accordance with Rules 3.21 to 3.23 of the Listing Rules. The terms of reference of the Audit Committee were adopted in compliance with the CG Code.

The primary duties of the Audit Committee are mainly to:

(i) review the Company's financial information and monitor the integrity of the Company's financial statements, annual report and accounts and half-year report and review significant financial reporting judgments contained therein before submission to the Board;

(ii) manage the relationship with the external auditors, including but not limited to making recommendation to the Board on the appointment, re-appointment and removal of external auditors, review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, discussing with the external auditors the nature and scope of the audit and reporting obligations before the audit commences, and develop and implement a policy on engaging an external auditor to supply non-audit services;

(iii) review the Company's financial information, monitor the Company's financial reporting system, risk management and internal control procedures;

(iv) review the Company's policies and practices on corporate governance issues, including but limited to training and continuous professional development of Directors and senior management, and the Company's compliance with legal and regulatory requirements and the CG Code; and

(v) review the Company's environmental, social and governance (the "**ESG**") management approach, policies and strategies.

Our Audit Committee comprises three members, namely Mr. Wang Susheng (Chairman), Mr. Wu Guangquan and Mr. Chen Zetong all being Independent Non-executive Directors of the Company. During the Reporting Period, the Audit Committee held five meetings and the work performed by the Audit Committee was summarised as follows:

(1) reviewing the findings and recommendations from external auditors and independent internal control reviewers;

(2) reviewing the independence of the external auditors and engagement of external auditors;

(3) reviewing the audit plan, internal control plan, the development in accounting standards and their effects on the Group, financial statements and risk management matters;

(4) reviewing the adequacy of resources, qualifications and experience of staff in the Group's accounting and financial reporting functions; and

(5) reviewing the effectiveness of the Group's risk management and internal control systems.

The attendance records of each committee members are set out below:

	Attendance rate/Number of meetings
Mr. Wang Susheng *(Chairman)*	5/5
Mr. Wu Guangquan	5/5
Mr. Chen Zetong	5/5

The Company's annual report and annual results announcement for the year ended 31 December 2023 have been reviewed by the Audit Committee. The Audit Committee is of opinion that the preparation of such financial information complied with the applicable accounting standards, the requirements under the Listing Rules and any other applicable legal requirements, and that adequate disclosures have been made.

Remuneration Committee

The Company has established the Remuneration Committee with written terms of reference in compliance with the CG Code and the terms of reference have been adopted. The Remuneration Committee adopted the approach under code provision E.1.2(c)(ii) of the CG Code to make recommendation to the Board on the remuneration packages of independent Directors and senior management.

The primary duties of the Remuneration Committee are to:

(i) make recommendations to the Board on the overall remuneration policy and structure for all Directors and senior management of the Company, and on the establishment of formal and transparent procedures for developing remuneration policy;

(ii) review and approve the senior management's remuneration proposals with reference to the Board' corporate goals and objectives;

(iii) be delegated by the Board to determine the remuneration packages of individual executive Directors and senior management or to recommend to the Board the remuneration packages of individual executive Directors and senior management; and this should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

(iv) make recommendations to the Board on the remuneration of non-executive Directors; and

(v) review and/or approve matters relating to share schemes under Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Remuneration Committee consists of three members, namely Mr. Wu Guangquan (Chairman), the Independent Non-executive Director, Ms. Liu Jingyu, the Executive Director and Mr. Chen Zetong, the Independent Non-executive Director. The Remuneration Committee shall consult the chairwoman and/or the president of the Company on proposals relating to the remuneration of other executive Directors. The remuneration of the Directors was determined with reference to the salaries paid by comparable companies and the experience, responsibilities, workload, time devoted to the Group and individual performance of the Directors, as well as the performance of the Group.

During the Reporting Period, the Remuneration Committee held two meetings and the work performed by the Remuneration Committee was summarised as follows: (1) reviewing the appropriateness of the remuneration policy; (2) evaluating the performance of Directors and senior management of the Group; and (3) revising the terms of reference of the Remuneration Committee.

The attendance records of each committee members are set out below:

	Attendance rate/Number of meetings
Mr. Wu Guangquan *(Chairman)*	2/2
Ms. Liu Jingyu	2/2
Mr. Chen Zetong	2/2

Pursuant to code provision E.1.5 of the CG Code, the remuneration of senior management during the year ended 31 December 2023 fell with the following bands. The following remuneration includes salaries, allowances, equity-settled share-based payments and contributions to retirement benefits schemes. Details of the remuneration components are set out in note 16 and note 48 to the consolidated financial statements.

Remuneration level	**Number of persons**
RMB2,500,001 to RMB3,000,000	2
RMB4,500,001 to RMB5,000,000	2
RMB9,500,001 to RMB10,000,000	2
RMB13,000,001 to RMB13,500,000	1
RMB23,500,001 to RMB24,000,000	1

Remuneration Policy

The Company has established and continuously improved the remuneration and benefit management system, and actively built a remuneration and benefit system of "determining salary based on position and determining bonus based on contribution", with both external competitiveness and internal fairness. The Company strictly abides by the national regulations and pays full amount of social insurance for its employees every month, covering 100% of its employees. The Company builds a fair and open promotion platform for employees, comprehensively evaluates and analyzes employees' potential for promotion, competency, performance and values, and analyzes employees' comprehensive capabilities and potentials. The Company has established a salary adjustment system that is externally competitive, internally fair, and individually balanced to maximize the potential of the team and individuals. The Company distributes bonuses based on contribution. By comprehensively evaluating the achievement of the company-level and each system's operating targets, and the achievement of the labor cost targets of each system, the Company distributes the bonuses according to the performance contributions. The Company continues to optimize and promote the talent incentive plan, and establishes a hierarchical and classified incentive system for different employee categories to further enhance employees' sense of belonging, accomplishment and honor. In light of the concept of caring for and respecting people, the Company motivates and mobilizes the enthusiasm of employees through a combination of material incentives and spiritual incentives, so that employees can demonstrate their talents in an open and equal environment, which gives full play to their potentials and maximizes their enthusiasm.

Our executive Directors receive, in their capacity as our employees, compensation in the form of salaries and benefits-in-kind, including our contributions to the pension scheme for our executive Directors, according to the laws of the PRC. The aggregate amounts of remuneration (including fees, salaries, allowances and benefits in kind, discretionary bonus and contributions to pension scheme) for our Directors and Supervisors for the years ended 31 December 2022 and 2023 were approximately RMB31,968,000 and RMB34,420,000, respectively. None of our Directors waived any remuneration during the aforesaid periods.

The information of the five highest paid individuals of the Company for the year ended 31 December 2023 is set out in note 15 to the consolidated financial statements.

During the Reporting Period, no emoluments were paid by our Group to any of our Directors or the five highest paid individuals (including Directors and employees of the Company) as an inducement to join or upon joining our Group or as compensation for loss of office. None of our Directors has waived any emoluments during the Reporting Period.

Save as disclosed above, no other remuneration has been paid or is payable, during the Reporting Period, by our Group to any of our directors or their representatives.

Nomination Committee

The Company has established a nomination committee with written terms of reference in compliance with the CG Code. The terms of reference have been adopted in compliance with the CG Code.

The primary duties of the Nomination Committee are to:

(i) ensure that the Board and its committees consist of Directors with the appropriate balance of skills, diversity and knowledge of the Company to enable it to discharge its duties effectively;

(ii) review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(iii) develop, review and implement, as appropriate, the policy, criteria and procedures for the identification, selection and nomination of candidates as directors for Board approval. Such criteria include but are not limited to the potential contributions a candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity;

(iv) assess the independence of independent non-executive Directors;

(v) make recommendations to the Board on the appointment or re-appointment of directors and senior management and succession planning for Directors and senior management, in particular the chairman and the chief executive; and

(vi) draw up, review and update, as appropriate, the Board Diversity Policy and any measurable objectives for implementing such Board Diversity Policy as may be adopted by the Board from time to time and to review and update the progress on achieving the objectives; and to make disclosures of its progress and its review results in the annual report of the Company annually.

The Nomination Committee consists of three members, namely Mr. Chen Zetong (Chairman), the independent non-executive Director, Ms. Liu Jingyu, the executive Director and Mr. Wu Guangquan, the independent non-executive Director. During the Reporting Period, the Nomination Committee held one meeting and the work performed by the Nomination Committee is summarised as follows:

(1) to review and confirm that the structure, size and composition of the Board and the proportions of executive Directors and independent non-executive Directors remain appropriate for the Board to discharge its duties;

(2) to review and confirm the diversity of skills, knowledge, experience and gender of the members of the Board;

(3) to review the Board Diversity Policy (the "**Board Diversity Policy**"); and

(4) to formulate the Company's nomination policy (the "**Nomination Policy**") and make recommendations to the Board for adoption.

The attendance records of each committee member are set out below:

	Attendance rate/Number of meetings
Mr. Chen Zetong *(Chairman)*	1/1
Ms. Liu Jingyu	1/1
Mr. Wu Guangquan	1/1

Nomination Policy

The Nomination Committee identifies individuals with suitable qualifications to become members of the Board by considering the proposed candidates' skills, knowledge, experience, expertise, etc., having due regard to the Board Diversity Policy, the Nomination Policy and the needs of the Company, and evaluates the independence of the proposed independent non-executive Directors (as the case may be). The Nomination Committee then makes recommendations to the Board. The Board considers the candidates recommended by the Nomination Committee after due consideration of the Board Diversity Policy, the Nomination Policy and the needs of the Company. The Board will then confirm the candidate for appointment as a director or recommend a candidate for re-election at a general meeting of the Company. According to the Articles of Association, any person appointed by the Board as a director to fill a casual vacancy on the Board or to increase the number of members on the Board shall hold office only until the next annual general meeting of the Company and shall be eligible for re-election at that time.

Corporate Governance Functions

The Board is responsible for discharging its corporate governance responsibilities as described in the "Roles and Responsibilities of the Board and Management" in this report. During the Reporting Period, the Board has reviewed the Company's corporate governance policies and practices and compliance with the CG Code, reviewed and monitored the continuous professional development of the Directors, and also reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements.

Joint Company Secretaries

Mr. Dai Ying and Mr. Cheung Kai Cheong Willie are appointed as joint company secretaries of the Company and are responsible for advising the Board on corporate governance matters. Mr. Cheung's primary contact person is Mr. Dai.

In accordance with Rule 3.29 of the Listing Rules, Mr. Dai and Mr. Cheung have confirmed that they have taken no less than 15 hours of relevant professional training for the year ended 31 December 2023.

Directors and Supervisors' Compliance with the Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules as its code of conduct regarding securities transactions by the Directors and Supervisors of the Company. Having made specific enquiries with all Directors and Supervisors, the Company confirmed that they have complied with the Model Code during the Reporting Period.

RISK MANAGEMENT AND INTERNAL CONTROL

During the Reporting Period, the Company has established appropriate and effective risk management and internal control systems in compliance with the paragraph D.2 of the CG Code. The Company has adopted and implemented a comprehensive risk management policy encompassing risks that may arise in R&D, procurement management, production management and sales management. 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, the Board is committed to supervising and evaluating the effectiveness of the risk management and internal control systems to ensure that the system is rectified and effectively controlled as our business develops.

The management of the Company, under the supervision of the Board, has implemented and maintained appropriate and effective risk management and internal control systems. However, the risk management and internal control systems can only provide reasonable but not absolute assurance against material misstatements or losses. The key features of the risk management and internal control systems are described in the following sections:

Risk Management System

The Company has adopted a risk management system to manage risks related to its business and operation. The system includes the following stages:

- Risk identification: extensively and continuously collect internal and external environmental factors, stakeholders' needs, etc. related to enterprise risk and risk management; identify risks that may affect the Company's operation and business (including ESG risks).

- Risk evaluation: systematically analyze the collected risk information, evaluate the impact of the risk, and determine the risk values and risk levels based on the risk assessment standards.

- Risk response and control: based on its own conditions and external environment and adhering to the development strategy, select appropriate basic risk management strategies and formulate risk management solutions to prevent, avoid or mitigate risks.

- Risk monitoring and improvement: continuously carry out risk monitoring, dynamically assess the rationality and implementation effectiveness of risk strategies and solutions, timely identify defects and make improvements, and continuously revise and improve risk management and control measures based on actual conditions.

Internal Control System

The Company has established an internal control system which enables the Company to achieve its objectives regarding operational effectiveness and efficiency, reliability of financial statements and compliance with applicable laws and regulations. Internal control process is designed to monitor the Company's operations and ensure full compliance. The components of the internal control system framework are set out below:

- Monitoring environment: a set of standards, procedures and frameworks has been implemented to provide the basis for the Company's internal monitoring.

- Risk evaluation: a dynamic interactive process of identifying, evaluating and analyzing risks to achieve the Company's objectives and forming the basis for determining how to manage risks.

- Monitoring activities: actions established in accordance with policies and procedures to help ensure that management's instructions to mitigate risks and achieve objectives are being implemented.

- Information and communication: regular and effective internal and external communications provide the Company with information needed for daily monitoring.

- Monitoring: continuous and individual evaluations to determine the existence and effective operation of each component of the internal control system.

The Company has also adopted and implemented inside information policies and procedures in order to enhance the Company's system for handling and releasing inside information and ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures. The Company has taken certain reasonable measures from time to time to ensure its access to potential inside information and to maintain the confidentiality of such information in order not to breach the Company's disclosure requirements, including:

- Information is restricted to a limited number of employees on a notice basis. Employees who are in possession of inside information are fully aware of their confidentiality obligations;

- Confidentiality agreements will be entered into when the Company conducts material negotiations;

- Different operating units have their own reporting channels to report any potential inside information to the designated departments; and

- An executive director is a designated person who speaks on behalf of the Company when communicating with external parties such as the media, analysts or investors and responding to external enquiries.

In order to standardize the Company's capital management and strengthen internal control, the Company has released a receivables and financing management procedure and supervises its implementation on a real-time basis to ensure that the Company's receivables quality and financing costs are at an optimal level, so as to control capital risks effectively.

Based on the internal monitoring review conducted for the year ended 31 December 2023, no material internal monitoring deficiencies were identified.

Internal Audit Function

The Company has established a professional internal control team, which is responsible for establishing risk management and internal control systems, conducting internal audit and advising the Board on internal control. As of the end of the Reporting Period, the members of our internal control management team have an average of more than 10 years of relevant work experience, and hold relevant professional certificates.

Effectiveness of Risk Management and Internal Control Systems

The Board is responsible for overseeing the implementation and management of the Company's risk management and internal control systems and ensuring that the effectiveness of such systems is reviewed annually. The review covered all significant controls of the Group, including financial, operational and compliance controls. The Board has considered certain aspects in the review, including but not limited to

(i) changes in the nature and extent of significant risks (including ESG risks) since the last annual review, and the Company's ability to respond to changes in its business and the external environment;

(ii) the management monitors the scope and effectiveness of the risks (including ESG risks) and internal control systems on an ongoing basis;

(iii) the extent and frequency of communication of monitoring results to the Board (or its committees), which helps the Board to assess the control and effectiveness of risk management of the issuer;

(iv) significant control failures or weaknesses identified during the period, and the extent to which such failures or weaknesses have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the issuer's financial performance or condition;

(v) the effectiveness of the Company's procedures for financial reporting and compliance with the requirements of the Stock Exchange Listing Rules;

(vi) the adequacy of resources, qualifications and experience of staff, training programmes and budget in respect of the accounting, internal audit and financial reporting functions of the issuer and the ESG performance and reporting of the Company.

Through its review and the review by its independent audit department and the Audit Committee, the Board concluded that the risk management and internal control systems are effective and adequate. However, such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board also considers that the resources, staff qualifications and experience of the relevant staffs are adequate and the training programmes and budget provided are adequate. Having conducted the review, the Board was of the view that the risk management and internal control systems of the Company were adequate and effective during the Reporting Period.

Anti-corruption

The Company pursues a zero-tolerance policy towards fraudulent acts such as bribery, corruption and embezzlement. The Company has adopted an "Employee Code of Conduct" that contains relevant requirements for confidentiality, integrity, conflicts of interest and other guidelines on the code of behaviors. The Company also provides our employees with education in respect of anti-bribery and anti-corruption through various channels such as compliance training, and meanwhile publicizing the integrity regulations to our suppliers and entering into the "Anti-bribery Undertaking Agreement" with suppliers.

Whistle-blowing Policies

We have put in place a whistle-blowing channel where external suppliers, employees and other relevant parties can file complaints or report violations.

Auditor's emoluments

The Group's domestic auditor RSM China (special general partnership) and international auditor RSM Hong Kong are both independent auditors employed by the Group. The emoluments paid and payable to the domestic and international auditors of the Group for their services provided during the Reporting Period are set out below:

Items	Charges (RMB'000)
Audit services	
—IFRS-based annual audit of financial statements	3,453
—CAS-based annual audit of financial statements	420
Non-audit services (note)	577

Note: The non-audit services mainly include agreed upon procedures service and tax related services.

BOARD DIVERSITY POLICY

The Company has adopted a board diversity policy which sets out the objective and approach to achieve and maintain diversity of our Board in order to enhance the effectiveness of our Board. Pursuant to the Board Diversity Policy, the Company seeks to achieve diversity of our Board through the consideration of a number of factors when selecting candidates to our Board, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service. Our Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level, including gender diversity, as an essential element in maintaining our Company's competitive advantage and enhancing its ability to attract talents and to retain and motivate employees. We have also taken, and will continue to take steps to promote gender diversity at all levels of our Company, including but not limited to our Board and the senior management levels.

Our Directors have a balanced mix of knowledge and skills, including in management, strategic and business development, sales, legal compliance and corporate investment and finance. The ages of our Directors range from 45 years old to 61 years old, and we have both male and female representatives on the Board, which is in line with the regulations on gender diversity of directors in the Listing Rules. Our Nomination Committee will review and assess the composition of the Board and make recommendations to the Board on appointment of members of the Board. Meanwhile, our Nomination Committee will consider the benefits of all aspects of diversity, including without limitation, professional experience, skills, knowledge, education background, age, gender, cultural and ethnicity and length of service, in order to maintain an appropriate range and balance of talents, skills, experience and diversity on the Board.

The Nomination Committee has made below recommendations to the Board on the measurable objectives for the implementation of the Board Diversity Policy and Nomination Policy: (1) at least 80% of Board members have college education background; (2) at least 80% of Board members have relevant working experiences in China; (3) at least one female Director is appointed; and (4) at least one third of the Board members are independent non-executive Directors. The Nomination Committee will review the Board Diversity Policy and Diversity Profile in due course and at least once every year to ensure they are continuously effective from time to time and, if necessary, make any necessary changes and recommend any such changes to the Board for consideration and approval. The Board confirmed that the measurable objectives had been achieved at the end of the Reporting Period. The Nomination Committee will disclose the implementation of the Board Diversity Policy in the Company's Corporate Governance Report on an annual basis.

In addition, as of 31 December 2023, the Group had 16,962 employees, including 12,635 male employees and 4,327 female employees, accounting for 74.5% and 25.5%, respectively. The overall headcount remained stable and satisfied the requirement of employee gender diversity. We are aiming to achieve a more balanced gender ratio in the workforce in the future and will continue to monitor and evaluate the diversity policy from time to time to ensure its continued effectiveness. Our Nomination Committee is delegated by the Board to be responsible for compliance with relevant codes governing diversity under the CG Code. Our Nomination Committee will review our diversity policy on an annual basis and to ensure its continued effectiveness.

Board Independence/Mechanism

The Company has formulated internal policies (including but not limited to the Articles of Association, the Rules of Procedures of the Board and the Terms of Reference and Procedures of the Remuneration Committee) to ensure that the Board has access to independent views and opinions. These policies cover the Company's selection procedures and selection criteria for the election and appointment of Directors (including independent non-executive Directors), the abstention mechanism for voting on relevant resolutions of the Board by related Directors, and the special authorities of the independent appointment of external audit institutions and consulting agencies by independent Directors, etc. Upon reviewing the implementation of the aforesaid mechanisms, the Board considers that the aforesaid mechanisms are able to effectively ensure that the Board is provided with independent views and opinions.

DIVIDEND POLICY

The Company did not pay or declare any dividends since the Listing Date. The Company currently does not have a pre-determined dividend payout ratio. The Board may declare and our Company may pay dividend after taking into account our results of operations, future business development strategies and other factors that may be deemed as relevant.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The Board acknowledges its responsibilities for preparing the financial statements of the Company for each financial year and ensures that the financial statements are prepared in accordance with statutory requirements and applicable accounting standards. The Board also ensures that the financial statements are published in a timely manner in accordance with statutory and/or regulatory requirements. The Directors, having made appropriate enquiries, confirm that they are not aware of any material uncertainties or circumstances that may materially affect the Company's ability to continue as a going concern. The statement of the auditor of the Company regarding their reporting responsibilities and opinions on the financial statements is set out in the Independent Auditor's Report on pages 82 to 88 of this report.

SHAREHOLDERS' RIGHTS

The Shareholders' general meeting of the Company is the organ of authority of the Company, which consists of all the shareholders and exercises its powers in accordance with the laws, administrative regulations and the Articles of Association of the Company.

Procedures for Shareholder Request to Convene Extraordinary General Meeting

For a Shareholder request to convene an extraordinary general meeting, the procedures should be adopted in compliance with the Article 50, 51, 52 and 53.

Pursuant to the Article 50, shareholders holding more than 10% of our Company's shares, either individually or jointly, shall be entitled to request and demand the board to convene extraordinary general meetings and shall make written request to the board. The board shall, in accordance with the requirements of the laws, administrative regulations and the provisions of the Articles, reply in writing regarding the acceptance or refusal to convene the extraordinary general meeting within ten (10) days upon receiving the request. If the board agrees to convene the extraordinary general meeting, notice convening the meeting shall be issued within five (5) days after the board resolves to do so. Should there be amendments to the original requests in the notice, consent has to be obtained from the relevant shareholders. If the board does not agree to convene the extraordinary general meeting or does not reply in writing within ten (10) days upon receiving the request, shareholders holding more than 10% of shares, either individually or jointly, shall have the right to request the Supervisory Committee in writing to convene an extraordinary general meeting. If the Supervisory Committee agrees to convene the extraordinary general meeting, it shall issue a notice thereof within five (5) days of its receipt of the request, and any amendment made in the notice to the original proposals shall be subject to the consent of the relevant shareholders. If the Supervisory Committee fails to issue a notice of the general meeting within a specified period, it shall be deemed that the Supervisory Committee shall not convene and preside over the general meeting, the shareholder(s) who hold 10% or more of the shares of the Company either individually or jointly, for a consecutive period of more than 90 days may convene and preside over the meeting on their own.

Pursuant to the Article 51, Supervisory Committee or shareholders, if decided to convene general meetings on their own, shall inform the Board in writing. Prior to the publication of announcement of the shareholders resolutions, holding by the convening shareholders shall not be less than 10%. The Supervisory Committee or the convening Shareholders shall submit relevant evidence to the stock exchange(s) on which the shares of the Company are listed upon the issuance of the notice of the Shareholders' general meeting and the announcement of the resolutions of the Shareholders' general meeting.

Pursuant to the Article 52, the Board and the secretary to the Board should cooperate with the Supervisory Committee or shareholders convening general meetings on their own after receiving the notice. The Board shall provide the register of shareholders as of the share capital registration day.

Pursuant to the Article 53, the Company will bear all the necessary and reasonable costs for the general meeting convened by the Supervisory Committee or shareholders.

For a Shareholder request to propose new resolutions at the general meeting, the procedures should be adopted in compliance with the Articles 54 and 55.

Pursuant to the Article 54, the contents of a proposal shall be within the scope of the duties and powers of the general meeting, have definite themes and specific matters for resolutions, as well as in compliance with the relevant requirements of the laws, administrative regulations, and the Articles of Association.

Pursuant to the Article 55, in relation to a general meeting convene by the Company, the Board, the Supervisory Committee and shareholders separately or aggregately holding more than 3% of the total number of voting shares of the Company are entitled to propose motions to the Company in writing. Shareholders holding more than 3% of our Company's shares separately or aggregately shall have the right to put forward new proposals in writing to our Company and submit them to the convener of a general meeting ten days prior to the meeting. The convener shall issue a supplementary notice of the general meeting to announce the content of the extraordinary motions within 2 days after receipt thereof. Except as stipulated above, the Company shall not alter the motions listed in the notice of general meeting or add new motions after the notice of general meeting has been published. The proposals that have not been set out in the notice of the shareholders' general meeting or that do not comply with Article 54, shall not be voted on or resolved at the shareholders' meeting.

Procedures for Making Enquiries

Shareholders shall make enquiries with the Company's H Share Registrar, Tricor Investor Services Limited, regarding their shareholdings, share transfer, registration and payment of dividends as follows:

Tricor Investor Services Limited

Address: 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong

E-mail: is-enquiries@hk.tricorglobal.com

Tel: (852) 2980 1333

Fax: (852) 2810 8185

Shareholders may at any time submit any enquiries to the Company through the Company's designated contact person, correspondence address, email address and enquiry hotline:

Recipient: Office of IR of CALB GROUP CO., LTD.

Address: No.1 Jiangdong Avenue, Jintan District, Changzhou City, Jiangsu Province, the PRC.

E-mail: Ir@calb-tech.com

Tel: 86-0519-68903688-664580

Shareholders are reminded to submit their enquiries with their contact details so that the Company can respond promptly as it deems appropriate.

Shareholders may propose a resolution at a general meeting to nominate candidates for Directors. According to the Article 96, Directors shall be elected or replaced at the general meetings. According to the Article 55, shareholders who individually or collectively hold more than 3% of the Company's total number of voting shares shall have the rights to put forward new proposals in writing to our Company and submit them to the convener of a general meeting ten days prior to the meeting. Accordingly, if a Shareholder proposes to nominate a candidate for election as a Director, such notice of intent and a notice signed by the nominated candidate indicating his/her willingness to accept the appointment shall be duly lodged with the Company's registered office for the attention of the Company Secretary and the Board of our Company.

Further information on the procedures for Shareholders to nominate a person for election as a Director is available on the Company's website. In addition, the Shareholders or the Company may refer to the above procedures to put forward any other proposals at the general meetings.

INVESTOR RELATIONS

The Board believes that transparency and timely disclosure of the Company's information is essential to enhance investor relations and will enable shareholders and investors to make the best investment decisions and have a better understanding of the Company's business performance and strategies. The Company is committed to maintaining an on-going dialogue with shareholders, in particular through annual general meetings and other general meetings. The Chairman of the Board and the chairmen of the Board Committees will endeavor to meet with the Shareholders at the general meetings to answer any questions raised by the Shareholders.

The Company has adopted a shareholders' communication policy (the "**Shareholders' Communication Policy**") which aims to ensure transparent, accurate and open communication with Shareholders to ensure that Shareholders' views and concerns are properly addressed and will be reviewed annually to ensure its effectiveness. Pursuant to the requirements of the Shareholders' Communication Policy, Shareholders can communicate with the Company through channels such as the Company's official website, new media platforms, investor relations hotlines, emails, etc., by means of general meetings, investor briefings, roadshows, analyst meetings, receptions, and forums.

The Company also has a website at www.calb-tech.com, with a dedicated "Investor Relations" section containing corporate communications documents, listings documents, announcements, reports, company information and other documents published by the Company on the website of the Hong Kong Stock Exchange for public inspection. The Company's website serves as a platform for communication with shareholders and investors.

Shareholders and investors may also write to the Company's principal place of business and headquarters in the PRC at No. 1 Jiangdong Avenue, Jintan District, Changzhou City, Jiangsu Province or email to Ir@calb-tech.com or call 86-0519-68903688-664580 for enquiries. Such enquiries will be fully responded to as soon as possible.

The Board regularly reviews the Shareholders' Communication Policy on an annual basis to ensure its effectiveness. After reviewing the various measures, the Board is of the view that the Shareholders' Communication Policy for the year ended 31 December 2023 has been properly implemented and effective.

AMENDMENTS TO ARTICLES OF ASSOCIATION OF THE COMPANY

On 28 December 2022, the Board proposed to amend the Articles of Association. The amended Articles of Association were considered and approved at the extraordinary general meeting on 31 January 2023 and became effective on the same day. For details of the amendments to the Articles of Association, please refer to the announcements of the Company dated 28 December 2022, 6 January 2023 and 31 January 2023. The Articles of Association are available on the websites of the Company and the Stock Exchange, respectviely.

On 29 August 2023, the Board proposed to amend the Articles of Association. The amended Articles of Association were considered and approved at the extraordinary general meeting and the class meeting on 1 December 2023 and became effective on the same day. For details of the amendments to the Articles of Association, please refer to the announcements of the Company dated 29 August 2023, 14 November 2023 and 1 December 2023. The Articles of Association are available on the websites of the Company and the Stock Exchange, respectviely.

CHANGE OF COMPANY NAME

On 28 December 2022, the Board proposed to change the Chinese name of the Company from "中創新航科技股份有限公司" to "中創新航科技集團股份有限公司", and the resolution regarding the change of company name was considered and approved at the extraordinary general meeting on 31 January 2023. On 17 February 2023, the Company received a new business license dated 17 February 2023 from Changzhou Municipal Administration of Market Regulation, and the new Chinese name of the Company became effective on the same date. For details of the change of company name, please refer to the announcements of the Company dated 28 December 2022, 6 January 2023, 31 January 2023 and 17 February 2023.

Directors' Report

The Board of the Company is pleased to present this Directors' Report together with the audited consolidated financial statements of the Group for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The Company is a joint stock limited company incorporated in Changzhou City, Jiangsu Province under the Company Law of the PRC and listed on the Hong Kong Stock Exchange on 6 October 2022. The Group is mainly engaged in the design, R&D, production and sales of EV batteries and ESS products. The Group has built a comprehensive energy operation system to provide perfect product solutions and full life cycle management for the all-scenario application market of new energy represented by power and energy storage.

Details of the business of the Company's subsidiaries are set out in the financial statements. There was no material change in the nature of the Company's principal activities for the year ended 31 December 2023. For further discussion and analysis on principal activities, please refer to the "Management Discussion and Analysis" section of this annual report.

BUSINESS REVIEW

A review of the Group's results for the year, a discussion and analysis of key factors related to its financial position and the prospects of the Group's business are set out in the "Management Discussion and Analysis" section of this annual report, respectively.

RESULTS

The operating results of the Group for the reporting period are set out in the "Financial Review" section of this annual report.

RISKS AND UNCERTAINTIES

- ### Market risk

  With the rapid development of the global new energy industry, major enterprises will compete for market share and technology leadership through competition in technology research and development, manufacturing cost control and market expansion. However, the cycle and effectiveness of market development will also be affected by multiple factors such as customers' overall strategic planning, market preference and competitors. If the progress of customer expansion is slower than expected or the customer expansion fails, the future operating performance of the Company will be adversely affected.

  The Company put forward the strategic goal of "reducing costs, increasing volume and attracting customers" and stayed customer-centric to serve customers, deeply cultivate customers and help customers to succeed; at the same time, the Company actively expanded overseas markets, accelerated overseas industrial layout, actively expanded market business in the field of energy storage, and researched and developed battery recycling and reuse technologies.

- ### International operation risk

  The Company actively expanded overseas markets, established subsidiaries and built new factories overseas. In the event of geopolitical conflicts, the implementation of policies such as increased tariffs or non-tariff barriers, or the Company's failure to identify overseas local laws and regulations and operational risks, the Company's local operations may be adversely affected.

  In order to reduce the risk of international operation, the Company will continue to improve the operation and management level of overseas business, identify possible risks in overseas business, formulate risk response strategies, and formulate relevant management standards and policies in line with local laws, regulations and customs.

- ### Climate change policy risks

  It has become a global consensus to actively respond to climate change. Under this background, the whole new energy industry chain will also face risks in policies and laws, market and technology, reputation and entities arising from climate change. For example, the EU's New Battery Law took the lead in proposing mandatory requirements in four aspects: sustainability and safety, labeling and information, battery waste management, and electronic information exchange. If the Company fails to identify risks and opportunities related to climate change in a timely manner and take effective response measures, it may result in loss of revenue and market share.

  The Company has established an ESG management structure to identify the risks and opportunities of climate change, and established a carbon management team to be responsible for carbon management policy research, carbon footprint management and disclosure, etc. The Company obtained China's first carbon footprint certificate based on the EU Battery Product Environmental Footprint Category Rules (PEFCR) and ISO14067, passed the ISO14064 Verification Statement of Greenhouse Gas, and was successfully selected as a national green factory.

  For other risks and uncertainties, please refer to the notes to the consolidated financial statements.

FINANCIAL REVIEW

A discussion and analysis of the key factors relating to the financial position of the Group during the year is set out in the section headed "Management Discussion and Analysis" in this annual report.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 41 to the consolidated financial statements.

SUBSIDIARIES

Details of the Company's subsidiaries are set out in note 1 to the consolidated financial statements.

DIVIDENDS

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 December 2023.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is not exposed to any significant environmental risks. During the Reporting Period, the Group was not subject to any fines or other penalties for the non-compliance with environmental protection laws and regulations.

Further details of the environmental policies and performance of the Company are set out in the "2023 Environmental, Social and Governance Report" which is to be published on the same day with this report.

LEGAL PROCEEDINGS AND COMPLIANCE

The Group may be involved in various legal proceedings, arbitrations or litigations in the ordinary course of business from time to time. Save as disclosed in this report and during the Reporting Period, the Group was not involved in any legal proceedings, arbitration or litigation which, in our opinion, would have a material adverse effect on the ordinary business, financial condition or results of operations and, to our knowledge, there is no risk of any such legal proceedings, arbitrations or administrative litigations.

USE OF PROCEEDS FROM LISTING

The H Shares of the Company were listed on the Main Board of the Stock Exchange on 6 October 2022. The Company issued a total of 265,845,300 ordinary shares of RMB1.00 each at a price of HK$38.00 per share under the Global Offering, and total proceeds from the listing amounted to HK$10,102.12 million. After deducting the underwriting fees, commissions and estimated expenses, the total net proceeds from the listing amounted to approximately HK$9,980.10 million. The listing proceeds are and will continue to be utilized in accordance with the plans disclosed in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 23 September 2022 (the "**Prospectus**"), namely:

Items	Approximate percentage of total net proceeds (%)	Net proceeds from the listing available for use (in HK$ million)	Net amount unutilized as at 31 December 2022 (in HK$ million)	Amount utilized for the twelve months ended 31 December 2023 (in HK$ million)	Net amount unutilized as at 31 December 2023 (in HK$ million)	Expected timeline for balance of net proceeds
To fund part of the expenditure for the construction of new production facilities of the Company in Chengdu Phase I Project,Wuhan Phase II Project,Hefei Phase I and II Project,Guangdong Jiangmen Phase I Project and Sichuan Meishan Project,totalling 95GWh of EV batteries and energy storage system production lines	80.0	7,984.08	4,266.03	3,428.94	837.09	By 31 December 2024
For advanced technologies research and development	10.0	998.01	998.01	998.01	–	–
For working capital and general corporate purposes	10.0	998.01	965.77	965.77	–	–
Total	100.0	9,980.10	6,229.81	5,392.72	837.09	

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

RESERVES

Details of movements in the reserves of the Group and the Company as of 31 December 2023 are set out in the consolidated statement of changes in equity and note 43 to the financial statements, respectively.

The Group's reserves available for distribution as at 31 December 2023, calculated in accordance with the applicable laws of the PRC, the place of incorporation of the Company, amounted to approximately RMB714,804,000.

PROPERTY, PLANT AND EQUIPMENT

Movements in the property, plant and equipment of the Group for the year ended 31 December 2023 are set out in note 19 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of sales amount and purchase amount of the Group's major customers and suppliers for the year ended 31 December 2023 are as follows:

Sales amount

– The largest customer	28.8%
– Total of the five largest customers	71.3%

Purchase amount

– The largest supplier	13.4%
– Total of the five largest suppliers	40.6%

The Directors, their close associates or any Shareholders (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) do not have any interest in any of the abovementioned major suppliers or customers.

EQUITY-LINKED AGREEMENTS

The Company did not enter into any equity-linked agreement in 2023 and no such agreement existed at the end of 2023.

PERMITTED INDEMNITY PROVISION

The Company maintained appropriate liability insurance for Directors and officers of the Company and such permitted indemnity provision for the benefit of Directors is still in force and continued to be in force for the year ended 31 December 2023. Apart from this, the Company had no other valid permitted indemnity provisions during the Reporting Period and at the time of approval as at the date of this annual report.

ISSUED DEBENTURE

During the Reporting Period, the Company did not issue corporate bonds.

DONATION

For the year ended 31 December 2023, the Group made charitable and other donations totalling RMB80,000.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed for the year ended 31 December 2023.

DIRECTORS

The Directors during the year ended 31 December 2023 and up to the date of this annual report are:

Executive Directors

Ms. Liu Jingyu *(chairwoman and president)*
Mr. Dai Ying

Non-executive Directors

Mr. Zhou Sheng
Mr. Zhang Guoqing
Mr. Li Yunxiang

Independent Non-executive Directors

Mr. Wu Guangquan
Mr. Wang Susheng
Mr. Chen Zetong

CONFIRMATION OF INDEPENDENCE

Each of the independent non-executive Directors has provided a written confirmation to confirm his independence from the Company under Rule 3.13 of the Hong Kong Listing Rules. Upon assessment, the Company considers each of the independent non-executive Directors to be independent.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

All of the executive Directors, independent non-executive Directors and Supervisors of the Company have entered into service contracts or letters of appointment with the Company, respectively. The term of office of each Director is thereafter renewed annually by mutual consent, unless terminated by either party giving to the other not less than three months' prior written notice. In accordance with Articles 96 and 106 of the Articles of Association of the Company, the Directors shall be elected or replaced at the general meetings, with a term of three years. Upon expiry of the term of office, the Directors may be re-elected, but the term of office of an independent Director shall not exceed six years (unless the term of office of an independent Director is otherwise provided for by relevant laws, regulations and the listing rules of the exchange where the Company's shares are listed).

None of the Directors or Supervisors who are to be re-elected at the annual general meeting has entered into any service contract with the Group which may not be terminated by the Group within a year without payment of any compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors, the Directors of the Company's subsidiaries or their respective associates has an interest in any business which competes or is likely to compete (whether directly or indirectly) with the business of the Company and its subsidiaries for the year ended 31 December 2023 (except for directors and/or directors of their subsidiaries and their respective associates).

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in this report, none of the Company, its holding company, or any of its subsidiaries was a party to any arrangement enabling the Directors to acquire benefits by means of the acquisition of equity or debt securities, including the debentures of the Company or any other body corporate during the year ended 31 December 2023.

Continuing Connected Transactions

Details of the Group's continuing connected transactions during the Reporting Period are set out as follows:

I. Sales Framework Agreement

On 10 November 2022, the Company entered into the sales framework agreement (the "**Sales Framework Agreement**") with CALB USA, the distributor in the USA, pursuant to which the Group will sell EV batteries to CALB USA for a term of one year commencing from 1 January 2023 and ending on 31 December 2023. The sales prices for EV batteries are determined with reference to the sales price to our domestic clients and taking into account of the price premium of the U.S. market. As CALB USA is owned as to 40% by Luoyang Company and hence an associate of Jintan Holding, therefore CALB USA is a connected person of the Company. The transactions with CALB USA constitute continuing connected transactions of the Company.

The annual cap for above continuing connected transaction for the year ended 31 December 2023 was RMB60 million, and the actual transaction amount for the year ended 31 December 2023 was approximately RMB25.25 million.

On 28 March 2023, Luoyang Company entered into the sales framework agreement with the Company (the "**Sales Framework Agreement**"), under which the Group will sell Lithium Batteries components and related products (such as battery cells) to Luoyang Company and its associates for a term from the date when the agreement is signed by both parties to 31 December 2023, which has been renewed on the extraordinary general meeting held on 31 January 2024. The prices of Lithium Batteries components and related products provided by the Group to Luoyang Company and its associates are determined primarily by arm's length negotiations with reference to market prices and sales prices of similar products offered by the Group to other independent third-party customers, taking into account the costs plus a reasonable profit margin. As at the date of the Sales Framework Agreement Jintan Holding directly and indirectly held approximately 25.54% issued Shares of the Company and is one of the substantial shareholders of the Company. Luoyang Company is indirectly owned as to 51% by Jincheng Technology and Jincheng Technology is wholly owned by Jintan Holding, a substantial shareholder of the Company, and hence Luoyang Company is an associate of Jintan Holding and a connected person of the Company. Therefore, the transaction with Luoyang Company constitutes continuing connected transactions.

The Directors are of the view that the transactions under the Sales Framework Agreement are to the benefit of our Company because (i) Luoyang Company and its associates have thorough understanding of our products; and (ii) both sides have established a mutual trust relationship during the past cooperation. It takes time to find suitable substitute in the market with mutual trust, and therefore it is cost-effective to continue cooperation, which is mutually beneficial for both parties.

The annual cap for above continuing connected transaction for the year ended 31 December 2023 was RMB200 million, and the actual transaction amount for the year ended 31 December 2023 was approximately RMB163.96 million.

II. Entrusted Processing Framework Agreement

On 10 November 2022, Luoyang Company entered into the entrusted processing framework agreement with the Company (the "**Entrusted Processing Framework Agreement**"), pursuant to which the Company agrees to entrust Luoyang Company and Luoyang Company agrees to provide processing services of EV battery products and ESS products (collectively referred to as "**Lithium Batteries**") for the Company for a term of one year commencing from 1 January 2023 and ending on 31 December 2023, which has been renewed on the extraordinary general meeting held on 31 January 2024. Luoyang Company will be responsible for the raw materials, front line workers and technicians whose licences and qualifications are recognized by us and completing the production and processing. The fees to be paid for Lithium Batteries are determined with reference to the cost of processing and producing Lithium Batteries and the prevailing market price of processing services in the same or proximity areas charged by independent third parties. The Group and Luoyang Company will also enter into specific entrusted processing agreement in respect of the detailed terms of the processing services. As at the date of entering into the Entrusted Processing Framework Agreement, Jintan Holding directly and indirectly held approximately 25.54% issued Shares of the Company and is one of the substantial shareholders of the Company. Luoyang Company is indirectly owned as to 51% by Jincheng Technology and Jincheng Technology is wholly owned by Jintan Holding, a substantial shareholder of the Company, and hence Luoyang Company is an associate of Jintan Holding and a connected person of the Company. Therefore, the transaction with Luoyang Company constitutes continuing connected transactions.

The Directors are of the view that the transactions under the Entrusted Processing Framework Agreement are to the benefit of the Company because entrusted processing arrangement between the Company and Luoyang Company can, on the one hand, supplement the Company's current production capacities by utilizing the production capacities of Luoyang Company to meet the increasing demand of the Group's customers and, on the other hand, it is conducive to Luoyang Company in respect of the delivery of delineated orders.

The annual cap for above continuing connected transaction for the year ended 31 December 2023 was RMB4,200 million, and the actual transaction amount for the year ended 31 December 2023 was approximately RMB1,956.18 million.

III. The General Contracting Agreements for Construction Projects

On 15 December 2020, 30 September 2021, 29 April 2021 and 27 August 2021, the members of the Group, as the developer and Jiangsu Chengdong Construction as the contractor, entered into certain general contracting agreements, respectively, for construction projects including the industrial park of the Company, the laboratory building of Jiangsu Research Institute, the newly established EV batteries project of the Company and the production and living facilities of the newly established EV batteries project of the Company for a term ranging from 521 days to 720 days, pursuant to which, Jiangsu Chengdong Construction will provide the general contracting services for design, procurement, and construction for certain industrial parks or buildings of the Group. Jiangsu Chengdong Construction is a company owned as to approximately 54.18% by Changzhou Zhongcheng Industrial Co., Ltd.* (常州眾成實業發展有限公司), which is wholly owned by Jinsha Investment, being a Substantial Shareholder. Therefore, Jiangsu Chengdong Construction is an associate of Jinsha Investment and a connected person of our Company and the transactions with Jiangsu Chengdong Construction constitute continuing connected transactions. These agreements have been classified as aggregated under the Listing Rules.

The amount charged by Jiangsu Chengdong Construction under the General Contracting Agreements for Construction Projects is determined through bidding procedure with reference to the prices charged by independent third parties in the area or nearby areas where similar engineering and construction services are provided in the ordinary and usual course business at the relevant time.

The Directors believe that general contracting services provided by Jiangsu Chengdong Construction in respect of design, procurement and construction to certain industrial park or buildings of our Group are in line with our strategy and expansion plan, and lay a solid foundation for the long-term development of our Group, which will have a positive impact on the current and future performance of our Group.

The annual cap for above continuing connected transactions for the year ended 31 December 2023 was RMB357.75 million. The actual transaction amount for the year ended 31 December 2023 was approximately RMB130.38 million.

Confirmation of Independent Non-executive Directors

Pursuant to Rule 14A.55 of the Listing Rules, all independent non-executive Directors have reviewed the abovementioned continuing connected transactions and, after taking into consideration of factors such as market environment, transaction amounts and corporate governance, confirmed that they were entered into by the Group: (i) in the ordinary course of business; (ii) on normal commercial terms or better; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Confirmation of Auditor

The auditor of the Company has been engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued a letter containing its findings and conclusions in respect of the abovementioned continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules, and concluded that:

(i) nothing has come to their attention that causes the auditor to believe that the abovementioned continuing connected transactions have not been approved by the Board;

(ii) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes the auditor to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

(iii) nothing has come to their attention that causes the auditor to believe that the transactions were not carried out, in all material respects, in accordance with the terms of the relevant agreements governing such transactions; and

(iv) with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to their attention that causes the auditor to believe that the amounts have exceeded the related annual caps for the year ended 31 December 2023.

A copy of the auditor's letter on the continuing connected transactions of the Group for the year ended 31 December 2023 has been provided to the Company.

The related party transactions mentioned in Note 48 to the consolidated financial statements do not constitute connected transactions or continuing connected transactions of the Company as defined in Chapter 14A of the Listing Rules except for those connected transactions between the Group and their connected persons as disclosed above which constituted connected transaction or continuing connected transactions, and the Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules.

Save as disclosed in this annual report, there were no connected transactions or continuing connected transactions which are required to be disclosed by the Company during the year ended 31 December 2023 in accordance with the disclosure requirements under Chapter 14A of the Listing Rules.

TRANSACTION, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

No transaction, arrangement or contract of significance, to which the Company, or any of its subsidiaries was a party and in which a Director, a Supervisor or any entity in connection with any Director or Supervisor had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2023.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

There is no Shareholder of the Company holding more than 30% of the voting rights of the Company.

PURCHASE, SALE OR REPURCHASE OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

EMOLUMENT POLICY

As at 31 December 2023, the total number of employees of the Group was 16,962. Staff costs (including Directors' remuneration) of the Group for the year of 2023 amounted to approximately RMB2,474,444,000, and the total remuneration of the Group's Directors, Supervisors and senior management in 2023 amounted to approximately RMB73,009,000. The staff costs include basic remuneration, bonuses and employee benefits.

The Company has established and constantly improved the remuneration and benefit management system, with a positive aim to build a remuneration and benefit system with both external competitiveness and internal fairness on the principle of "position-based remuneration and contribution-linked bonus". The Company has set up a fair and open promotion platform for its employees, comprehensively assessing employees' promotion opportunities, their professional competence, performance and values, and analyzing employees' comprehensive capabilities and potentials. The Company has developed a salary adjustment system with external competitiveness, internal fairness and individual balance to maximize the potential of the team and individuals. The Company distributes bonuses based on contribution. By comprehensively evaluating the achievement of the company-level and each system's operating targets, and the achievement of the labor cost targets of each system, the Company distributes the bonuses according to the performance contributions.

EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details of the remuneration of the Directors, Supervisors and senior management are set out in note 16 and note 48 to the consolidated financial statements.

FIVE HIGHEST-PAID EMPLOYEES

Details of the five highest-paid individuals are set out in note 15 to the consolidated financial statements.

NON-COMPETITION AGREEMENT

The non-competition agreement dated 2 March 2022 was entered into by each member of Jintan Group in favor of the Company (for the Company and as trustee for each of its subsidiaries), as further described under the section headed "Relationship with Jintan Group – Non-Competition Agreement" in the Prospectus.

The Company has received an annual declaration in writing from each member of Jintan Group confirming that it had complied with the non-competition undertakings provided to the Company under the non-competition agreement. The independent non-executive Directors reviewed the status of compliance and enforcement of the non-competition agreement and confirmed that all the undertakings thereunder have been complied with for the year ended 31 December 2023.

RELATIONS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The success of the Group relies on the support of important relations such as employees, suppliers and customers. The Company maintains a good relationship with its employees, customers and suppliers in order to ensure smooth business operation.

Directors, Supervisors and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company and Its Associated Corporations

As at 31 December 2023, the long positions and short positions in our Shares, underlying Shares or debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) our Directors, Supervisors or chief executive of our Company have or are taken or deemed to have (a) which shall be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) which will be required pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) which shall be required to be notified to us and the Stock Exchange pursuant to the Model Code (for this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the Supervisors) are as follows:

Name of Directors, Supervisors or chief executive	Position	Nature of interests	Class of shares held	Number of shares held[1]	Percentage of shareholdings in respective class of share capital[2]	Percentage of shareholdings in the total share capital[3]
Liu Jingyu	Executive director	Beneficial owner	Domestic Shares	1,640,913	0.11%	0.09%
Dai Ying	Executive director	Beneficial owner	Domestic Shares	1,151,168	0.08%	0.06%

Notes:

(1) All interests above represent long positions.

(2) The percentages are calculated based on the Company's total number in the respective class of shares as at 31 December 2023 (i.e. 1,506,456,558 Domestic Shares and 265,845,300 H Shares).

(3) The percentages are calculated based on the Company's total number of the issued shares of the Company, being 1,772,301,858 shares, as at 31 December 2023.

Save as disclosed above, as at 31 December 2023, none of our Directors, Supervisors or chief executive of our Company had or was taken or deemed to have the long positions and short positions in our Shares, underlying Shares or debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) (a) which shall be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) which will be required pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) which shall be required to be notified to us and the Stock Exchange pursuant to the Model Code (for this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the Supervisors).

Interests and Short Positions of Major Shareholders and Other Persons in the Shares and Underlying Shares of the Company

As at 31 December 2023, to the best knowledge of the Directors, the following persons (other than Directors, Supervisors or the chief executive of the Company) had the interests or short positions in the Shares or underlying Shares which shall be notified to us and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or which will be required to be recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Shareholder	Nature of Interests	Class of shares	Number of shares held[1]	Percentage of shareholdings in respective class of share capital[2]	Percentage of shareholdings in the total share capital[3]
Jinsha Investment[7]	Beneficial owner	Domestic Shares	252,130,281(L)	16.74%(L)	14.23%(L)
	Interest in controlled corporation	Domestic Shares	8,642,400(L)	0.57%(L)	0.49%(L)
Huake Engineering[7]	Beneficial owner	Domestic Shares	98,658,313(L)	6.55%(L)	5.57%(L)
Huake Investment[7]	Beneficial owner	Domestic Shares	77,785,163(L)	5.16%(L)	4.39%(L)
Jintan Hualuogeng[4] & [7]	Interest in controlled corporation	Domestic Shares	176,443,476(L)	11.71%(L)	9.96%(L)
Jintan Holding[5], [6] & [7]	Interest in controlled corporation	Domestic Shares	428,573,757(L)	28.45%(L)	24.18%(L)
	Others		24,000,000(L)	1.59%(L)	1.35%(L)
Xiamen Lihang Equity Investment Management Co., Ltd.[8]	Interest in controlled corporation	Domestic Shares	141,866,141(L)	9.42%(L)	8.00%(L)
Lihang Jinzhi[8]	Beneficial owner	Domestic Shares	141,866,141(L)	9.42%(L)	8.00%(L)
Xiamen Industrial Investment[9]	Beneficial owner	Domestic Shares	37,580,435(L)	2.49%(L)	2.12%(L)
	Interest in controlled corporation	Domestic Shares	141,866,141(L)	9.42%(L)	8.00%(L)
Jinyuan Investment[9]	Beneficial owner	Domestic Shares	37,580,435(L)	2.49%(L)	2.12%(L)
	Interest in controlled corporation	Domestic Shares	216,229,145(L)	14.35%(L)	12.20%(L)
Chengfei Integration[10]	Beneficial owner	Domestic Shares	151,145,867(L)	10.03%(L)	8.53%(L)
AVIC[10]	Interest in controlled corporation	Domestic Shares	163,970,995(L)	10.88%(L)	9.25%(L)
Guotai Junan Securities Co., Ltd.[11]	Interest in controlled corporation	H SHARES	46,772,900(L)	17.59%(L)	2.64%(L)
Hua An Fund Management Co.,Ltd., representing HUAAN-XJ7-QDII, HUAAN-XJ8-QDII, HUAAN-XJ10-QDII and HUAAN-XJ12-QDII[11]	Others	H SHARES	42,831,600(L)	16.11%(L)	2.42%(L)
HUAAN-XJ8-QDII – SINGLE ASSET MANAGEMENT PLAN[11]	Beneficial owner	H SHARES	20,449,400(L)	7.69%(L)	1.15%(L)
HUAAN-XJ12-QDII – SINGLE ASSET MANAGEMENT PLAN[11]	Beneficial owner	H SHARES	20,285,900(L)	7.63%(L)	1.14%(L)
Huatai Securities Co., Ltd[12]	Interest in controlled corporation	H SHARES	31,931,800(L)	12.01%(L)	1.80%(L)
		H SHARES	5,486,200(S)	2.06%(S)	0.31%(S)

Name of Shareholder	Nature of Interests	Class of shares	Number of shares held[1]	Percentage of shareholdings in respective class of share capital[2]	Percentage of shareholdings in the total share capital[3]
J.P. MORGAN SECURITIES PLC	Interest in controlled corporation	H SHARES	4,333,400(L)	1.63%(L)	0.24%(L)
		H SHARES	1,260,400(S)	0.47%(S)	0.07%(S)
	Persons with a security interest in the Shares	H SHARES	25,236,700(L)	9.49%(L)	1.42%(L)
Tianqi Lithium HK Co., Limited	Beneficial owner	H SHARES	20,217,200(L)	7.60%(L)	1.14%(L)
CCB Principal Asset Management Co., Ltd. (representing CCB Principal Overseas Nuggets No. 92 Single Asset Management Plan)	Investment manager	H SHARES	16,696,500(L)	6.28%(L)	0.94%(L)
Zijin Mining Group Co. Ltd[13]	Interest in controlled corporation	H SHARES	16,525,800(L)	6.22%(L)	0.93%(L)
Gold Mountains (H.K.) International Mining Company Limited[13]	Beneficial owner	H SHARES	16,525,800(L)	6.22%(L)	0.93%(L)
Wang Sing International Resources Limited	Beneficial owner	H SHARES	16,359,500(L)	6.15%(L)	0.92%(L)
Sunshine Life Insurance Co.,Ltd.	Interest in controlled corporation	H SHARES	14,885,700(L)	5.60%(L)	0.84%(L)
Hefei Beicheng Construction Investment (Group) Company Ltd.	Beneficial owner	H SHARES	13,718,100(L)	5.16%(L)	0.77%(L)

Notes:

(1) (L), (S) and (P) represent long position, short position and lending pool respectively.

(2) The percentages are calculated based on the Company's total number in the respective class of shares as at 31 December 2023 (i.e. 1,506,456,558 Domestic Shares and 265,845,300 H Shares).

(3) The percentages are calculated based on the Company's total number of the issued shares of the Company as at 31 December 2023 (i.e. 1,772,301,858 shares).

(4) Each of Huake Engineering and Huake Investment is wholly owned by Jintan Hualuogeng. Jintan Hualuogeng is deemed to be interested in the Shares held by each of Huake Engineering and Huake Investment under the SFO.

(5) Jinsha Investment is wholly owned by Jintan Holding. Jintan Hualuogeng is owned as to 90% by Jintan Holding. Jintan Holding is a state-owned enterprise and controlled by the Government of Jintan District. Jintan Holding is deemed to be interested in the Shares held by each of Jinsha Investment, Huake Engineering and Huake Investment under the SFO.

(6) The investment by Jintan International in our Company was made in accordance with the instructions of Jintan Holding and Jintan International exercises its voting rights in our Company in accordance with the instructions of Jintan Holding.

(7) Jinsha Investment, Huake Engineering, Huake Investment, Jintan International, Jintan Hualuogeng and Jintan Holding are a group of largest Shareholders and directly or indirectly control an aggregate of approximately 25.54% of our Company's voting rights.

(8) Lihang Jinzhi is a limited partnership established under the laws of the PRC with Xiamen Lihang Equity Investment Management Co., Ltd.* (廈門鋰航股權投資管理有限公司) being its general partner and Xiamen Industrial Investment being its limited partner. According to the partnership agreement of Lihang Jinzhi which provides, among other things, that the investment decision committee of Lihang Jinzhi shall comprise three members, of which Xiamen Industrial Investment shall be entitled to nominate two members, and Xiamen Industrial Investment exercises de facto control of Lihang Jinzhi. As such, Xiamen Industrial Investment is deemed to be interested in the Shares held by Lihang Jinzhi under the SFO. Xiamen Industrial Investment directly owns approximately 2.49% interests in our Company and therefore Xiamen Industrial Investment directly and indirectly controls an aggregate of approximately 10.12% of our Company's voting rights.

(9) Xiamen Industrial Investment is a wholly owned subsidiary of Jinyuan Investment and as such Jinyuan Investment is deemed to be interested in all the Shares held by Lihang Jinzhi and Xiamen Industrial Investment under the SFO. Moreover, each of Xiamen Jinli No. 2 and Jinli Investment owns approximately 1.59% and 0.85% interests in our Company respectively. Xiamen Jinli No. 2 is a limited partnership with Xiamen City Jinyuan Equity Investment Co., Ltd* (廈門市金圓股權投資有限公司) being its general partner. Xiamen City Jinyuan Equity Investment Co., Ltd* (廈門市金圓股權投資有限公司) is ultimately controlled by Jinyuan Investment. Jinli Investment is a limited partnership with Jinyuan Capital Management (Xiamen) Co., Ltd* (金圓資本管理(廈門)有限公司) being its general partner. Jinyuan Capital Management (Xiamen) Co., Ltd* (金圓資本管理(廈門)有限公司) is ultimately controlled by Jinyuan Investment. As such, Jinyuan Investment is also deemed to be interested in the Shares held by each of Xiamen Jinli No.2 and Jinli Investment under the SFO. Jinyuan Investment directly owns approximately 2.49% interests in our Company and therefore Jinyuan Investment directly and indirectly controls an aggregate of approximately 14.32% of our Company's voting rights.

(10) Chengfei Integration is a joint stock limited company whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 002190) and ultimately controlled by AVIC. As such, AVIC is deemed to be interested in the Shares held by Chengfei Integration under the SFO. Moreover, each of Aviation Industry Integration Fund, Missile Academy, Aviation Investment and Hongdu Airline owns approximately 0.80%, 0.65%, 0.11% and 0.09% interests in our Company respectively, and each of the above companies and partnerships is ultimately controlled by AVIC, which is also deemed to be interested in the Shares held by such companies and partnerships under the SFO. Therefore, AVIC indirectly controls an aggregate of approximately 9.25% of our Company's voting rights.

(11) HuaAn Fund Management Co., Ltd is the asset manager of (1) HUAAN-XJ7-QDII-SINGLE ASSET MANAGEMENT PLAN, (2) HUAAN-XJ8-QDII-SINGLE ASSET MANAGEMENT PLAN, (3) HUAAN-XJ10-QDII-SINGLE ASSET MANAGEMENT PLAN and (4) HUAAN-XJ12 – QDII-SINGLE ASSET MANAGEMENT PLAN and is deemed to be interested in the Shares held by abovementioned four assets management plans under the SFO. Guotai Junan Securities Co., Ltd. held 43% of the equity interest in HuaAn Fund Management Co., Ltd and is deemed to be interested in the Shares held by HuaAn Fund Management Co. under the SFO.

(12) Huatai Securities Co., Ltd. held 100% interests in Huatai International Financial Holdings Company Limited. Huatai International Financial Holdings Company Limited held 100% interests in Huatai Financial Holdings (Hong Kong) Limited and Huatai Capital Investment Limited. Huatai Financial Holdings (Hong Kong) Limited held 7,043,100 H Shares in long position. Huatai Capital Investment Limited held 24,888,700 H Shares in long position and 5,486,200 H Shares in short position. Therefore, Huatai International Financial Holdings Company Limited is deemed to be interested in 35,742,700 H Shares in long position and 5,486,200 H Shares in short position and Huatai Securities Co., Ltd. is deemed to be interested in 31,931,800 H Shares in long position and 5,486,200 H Shares in short position under the SFO.

(13) Gold Mountains (H.K.) International Mining Company Limited is held as to 100% by Zijin Mining Group Co., Ltd. Therefore, Zijin Mining Group Co., Ltd. is deemed to be interested in 16,525,800 H Shares in long position under the SFO.

Save as disclosed above, as at 31 December 2023, the Directors were not aware of any persons (other than the Directors, Supervisors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which were required to be disclosed to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO, or to be recorded in the register required to be kept by the Company under section 336 of the SFO.

PRE-EMPTIVE RIGHTS

There are no provisions under the Articles of Association and the laws of the PRC which oblige the Company to offer pre-emptive rights of new shares to existing shareholders based on their shareholding proportion.

TAX RELIEF AND EXEMPTION

The Group is not aware of any tax relief and exemption to the holders of any securities of the Company as a result of their holding of such securities.

PENSION SCHEME

The employees of the subsidiaries in Mainland China are required to participate in a central pension scheme managed by the local municipal government in Mainland China. The subsidiaries are required to contribute a prescribed percentage of the relevant part of the payroll of these employees to the central pension scheme. The Group has no obligation for the payment of retirement benefits beyond the annual contributions. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme. No forfeited contributions are available to reduce the contribution pavable by the Group in the future years.

SHARE SCHEME

Summary of Share Scheme

	2019 Equity Incentive Scheme	2020 Equity Incentive Scheme	2021 Equity Incentive Scheme(2)
Purpose	To grant share awards to stimulate the enthusiasm and creativity of the key employees, enhance their sense of responsibility and mission of realizing the Company's long-term sustainable and healthy development, and ensure the realization of the Company's strategic goals.	To provide an approach for the Company to grant share awards to the key employees so as to stimulate their enthusiasm and creativity, enhance the sense of responsibility and mission of the key employees to realize long-term sustainable and healthy development of the Company, and ensure the realization of the Company's strategic goals.	To provide an approach for the Company to grant share awards to the key employees so as to stimulate their enthusiasm and creativity, enhance the sense of responsibility and mission of the key employees to realize long-term sustainable and healthy development of the Company, and ensure the realization of the Company's strategic goals.
Participants	The participants of the equity shares are the Company's core senior executives who have a key role in the Company's overall performance and medium to long-term development.	Eligible participants of the 2020 Equity Incentive Scheme include senior management, middle management, key technical personnel and key business personnel (excluding independent Directors and supervisors) who have entered into employment contracts with the Company and whose latest performance evaluation results are qualified.	Eligible participants of the 2021 Equity Incentive Scheme include senior management, middle management, key technical personnel and key business personnel (excluding independent Directors and supervisors) who have entered into employment contracts with the Company and whose latest performance evaluation results are qualified.
Maximum individual entitlement of a participant	Not to exceed 1% of the Company's issued Shares on the date of adoption of the 2019 Equity Incentive Scheme.	Not to exceed 1% of the Company's issued Shares on the date of adoption of the 2020 Equity Incentive Scheme.	Not to exceed 1% of the Company's issued Shares on the date of adoption of the 2021 Equity Incentive Scheme.
Lock-up period(1)	Five years	Five years	Five years

	2019 Equity Incentive Scheme	2020 Equity Incentive Scheme	2021 Equity Incentive Scheme[(2)]
Amount payable for acceptance of awards[(3)]	The price paid by the shareholders of Xiamen Lihang Equity Investment for subscribing for the incentive shares was the same as the price at which Lihang Jinzhi subscribed for the Company's new registered capital on 29 July 2019.	RMB1.0293 per share	RMB41.67 per share
Incentive Shares Granted	The number of incentive Shares granted by our Company to our Directors and members of the senior management of the Company under the 2019 Equity Incentive Scheme were a total of 939,512 Shares, representing 0.05% of the issued Share capital of the Company.	The number of incentive Shares granted by the Company to our Directors and senior management of our Company and other participants under the 2020 Equity Incentive Scheme is 6,103,389 Shares and 13,143,508 Shares, respectively, representing 0.34% and 0.74% of the issued Shares of the Company, respectively.	The number of incentive Shares granted to the incentive recipients (all employees not being our Directors or senior management of our Group) under the 2021 Equity Incentive Scheme by the Company is 8,642,400 Shares, representing 0.49% of the issued Share of the Company.
Basis of Determination of Purchase Price	The price was determined with reference to the higher of the Company's net asset value as of 30 June 2018 or 30 June 2019 as valued by a third party valuer, the valuation reports of which were filed with the State-owned Assets Supervision and Administration Department.	The price of the incentive shares under the 2020 Equity Incentive Scheme was determined after taking into consideration of the following factors (whichever is higher): (1) at the time when Xiamen Industrial Investment subscribed for the increased registered capital of the Company (hereinafter referred to as the "Previous Capital Increase"), the appraised value of the Company was RMB6.397 billion (the corresponding price of capital increase was RMB1.0003/Share). As of 31 August 2020, the price of capital increase was revised according to the premium of 4.35% annual interest rate, and the calculation method is as follows: the price of capital increase = the price of the Previous Capital Increase + (the price of the Previous Capital Increase × (4.35%÷12) ×8), and the price of capital increase was RMB1.0293/Share; and	As agreed by all parties, and mainly based on the appraisal result issued by the asset appraisal agency and filed with state-owned assets authorities, the price of the incentive Shares granted under the 2021 Equity Incentive Scheme was RMB41.67/Share, which was the same as the price of the strategic investors' capital increase introduced by the Company in the same period.

	2019 Equity Incentive Scheme	2020 Equity Incentive Scheme	2021 Equity Incentive Scheme[2]
		(2) the appraised value of the Company as of 31 December 2019 as valued by an independent third party valuer was RMB6.51478 billion, which has not taken into account the amount of the Previous Capital Increase and as such, the corresponding price was RMB1.0185/Share. If the amount of RMB600 million of the Previous Capital Increase and the registered capital of the Company after the capital increase (i.e. RMB6.99655 billion) was taken into account, the corresponding price would be RMB1.0169/Share.	
Remaining validity period of the scheme	N/A	N/A	N/A
	The terms of the 2019 Equity Incentive Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as the 2019 Equity Incentive Scheme does not involve share options granted by the Company after Listing. Given that the Shares under the 2019 Equity Incentive Scheme have been issued, there will be no dilutive effect on the Shares outstanding upon vesting of the awards under the 2019 Equity Incentive Scheme. No further awards under the 2019 Equity Incentive Scheme will be granted by the Company after Listing.	The terms of the 2020 Equity Incentive Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as the 2020 Equity Incentive Scheme does not involve share options granted by our Company after Listing. Given that the relevant Shares under the 2020 Equity Incentive Scheme have been issued, there will be no dilutive effect on the Shares outstanding upon vesting of the awards under the 2020 Equity Incentive Scheme. No further awards under the 2020 Equity Incentive Scheme will be granted by the Company after Listing.	The terms of the 2021 Equity Incentive Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as the 2021 Equity Incentive Scheme does not involve share options granted by the Company after Listing. Given that the relevant Shares under the 2021 Equity Incentive Scheme have been issued, there will be no dilutive effect on the Shares outstanding upon vesting of the awards under the 2021 Equity Incentive Scheme. No further awards under the 2021 Equity Incentive Scheme will be granted by the Company after Listing.

Description:

(1) Participants do not directly obtain equity through Equity Incentive Scheme, but indirectly hold the corresponding incentive shares through the shareholding platform's LP shares and therefore, the vesting period is not applicable to such Equity Incentive Scheme. Pursuant to the scheme provisions of the respective equity incentive, the PRC Company Law and the Articles of Association, and the rules and regulations of the jurisdictions where the shares of the Company are listed regarding the lock-up period, the incentive shares held by the incentive recipients (including the interests in the partnership directly held and the shares of the Company indirectly held), except in special circumstances, shall not be transferred or sold within 5 years in principle.

(2) The 2021 Equity Incentive Scheme was terminated in December 2023, and the senior management of the Company and Jiangsu Jintan Investment Holding Co., Ltd.* jointly established Changzhou Changjin New Energy Partnership (Limited Partnership) as a shareholding platform, to acquire 8,642,400 shares of the Company held by Changzhou Lihang Kaibo No. 11 at a total price of RMB360.1 million (i.e. RMB41.67 per share).

(3) The period within which payments or calls must or may be made and loans for such purposes must be repaid are not applicable for above three equity incentive schemes.

(4) For further information, please refer to the section "Appendix VI – Statutory and General Information" in the Prospectus of the Company.

The changes of shares acquired under the 2020 Equity Incentive Scheme during the Reporting Period are set out below:

Category	Aquisition date[1]	Number of shares not yet granted as at 1 January 2023	Acquired during the year[2]	Vested during the year[3]	Cancelled during the year	Lapsed during the year	Number of shares involved as at 31 December 2023	Lock-up period[4]
Ms. Liu Jingyu (executive Director)	10 April 2023	0	36,521	–	–	–	0	Five years
Five highest paid individuals during the Reporting Period [5]	28 May 2023	0	18,261	–	–	–	0	Five years
Others (Total)[6]		0	36,990	–	–	–	0	Five years

Description:

(1) Pursuant to the terms of the 2020 Equity Incentive Scheme, the equities held by certain resigned participants have been transferred to the participants designated by the general manager's office of the Company.

(2) As the 2020 Equity Incentive Scheme is not a share-based payment, the participants indirectly hold the corresponding incentive shares through the shareholding platform's LP shares and therefore the shares granted under the 2020 Equity Incentive Scheme will not be included in the form of compensation. The fair value of the shares at the date of sale and the accounting standards and policies adopted are not available.

(3) The shares involved in the 2020 Equity Incentive Scheme are unlisted domestic shares of the Company with no reference to the closing price.

(4) The incentive recipient may exercise the award from the date on which the incentive shares are granted to him/her. Therefore, there is no performance goals for the incentive recipients. Participants do not directly obtain equity through Equity Incentive Scheme, but indirectly hold the corresponding incentive shares through the shareholding platform's LP shares and therefore, the vesting period is not applicable to such Equity Incentive Scheme. Pursuant to the scheme provisions of the respective share incentive, the PRC Company Law and the Articles of Association, and the rules and regulations of the jurisdictions where the shares of the Company are listed regarding the lock-up period, the incentive shares held by the incentive recipients (including the interests in the partnership directly held and the shares of the Company indirectly held), except in special circumstances, shall not be transferred or sold within 5 years in principle.

(5) "Five highest paid individuals during the Reporting Period (Total)" herein excludes two Directors, Chairwoman Liu Jingyu and Director Dai Ying.

(6) Acquired in batches on 10 April 2023 and 28 May 2023 respectively.

The changes of shares granted under the 2021 Equity Incentive Scheme during the Reporting Period are set out below:

Category	Acquisition date[(1)]	Number of shares not yet granted as at 1 January 2023	Acquired during the year[(2)]	Vested during the year[(3)]	Cancelled during the year	Lapsed during the year	Number of shares involved as at 31 December 2023	Lock-up period[(4)]
Ms. Liu Jingyu (executive Director)	10 April 2023	0	91,200	–	–	–	0	Five years
Mr. Dai Ying (executive Director)	11 April 2023	0	64,800	–	–	–	0	Five years
Mr. Dai Ying (executive Director)	21 June 2023	0	32,400	–	–	–	0	Five years
Supervisor	–	0	–	–	–	–	–	
Five highest paid individuals during the Reporting Period (Total)[(5)]	Granted in the incentive scheme from time to time[(6)]	0	362,400	–	–	–	0	Five years
Others (Total)	Granted in the incentive scheme from time to time[(7)]	0	253,200	–	–	–	0	Five years

Description:

(1) Pursuant to the terms of the 2021 Equity Incentive Scheme, the equities held by certain resigned participants have been transferred to the participants designated by the general manager's office of the Company.

(2) As the 2021 Equity Incentive Scheme is not a share-based payment, the participants indirectly hold the corresponding incentive shares through the shareholding platform's LP shares and therefore the shares granted under the 2021 Equity Incentive Scheme will not be included in the form of compensation. The fair value of the shares at the date of sale and the accounting standards and policies adopted are not available. The price paid by the incentive recipients for subscribing for incentive shares under the 2021 Equity Incentive Scheme was RMB41.67 per share.

(3) The shares involved in the 2021 Equity Incentive Scheme are unlisted domestic shares of the Company with no reference to the closing price.

(4) The incentive recipient may exercise the award from the date on which the incentive shares are granted to him/her. Therefore, there is no performance goals for the incentive recipients. Participants do not directly obtain equity through Equity Incentive Scheme, but indirectly hold the corresponding incentive shares through the shareholding platform's LP shares and therefore, the vesting period is not applicable to such Equity Incentive Scheme. Pursuant to the scheme provisions of the respective share incentive, the PRC Company Law and the Articles of Association, and the rules and regulations of the jurisdictions where the shares of the Company are listed regarding the lock-up period, the incentive shares held by the incentive recipients (including the interests in the partnership directly held and the shares of the Company indirectly held), except in special circumstances, shall not be transferred or sold within 5 years in principle.

(5) "Five highest paid individuals during the Reporting Period (Total)" herein excludes two Directors, Chairwoman Liu Jingyu and Director Dai Ying.

(6) Acquired in batches on 10 April 2023, 11 April 2023, 28 May 2023 and 21 June 2023 respectively.

(7) Acquired in batches on 10 April 2023, 11 April 2023, 28 May 2023 and 21 June 2023 respectively.

At the beginning of the Reporting Period, there were no incentive share outstanding or not vested with any of the Directors, the five highest paid individuals during the Reporting Period and other employees as beneficiaries. During the Reporting Period, there were no incentive share granted to any of the Directors, the five highest paid individuals and the other employees. At the end of the Reporting Period, there were no incentive share outstanding or not vested with any of the Directors, the five highest paid individuals or other employees as beneficiaries.

During the year ended 31 December 2023, the Company did not issue shares pursuant to any Equity Incentive Scheme and did not vest any shares pursuant to the 2019 Equity Incentive Scheme.

PUBLIC FLOAT

The Stock Exchange has granted the Company a waiver from strict compliance with the requirements of Rule 8.08(1)(a) of the Listing Rules, provided that the minimum public float of the Company shall be the higher of: (1) approximately 13.08% of the total issued share capital of the Company; (2) the percentage of H Shares held by the public immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. Based on the information publicly available to the Company as of the Latest Practicable Date and to the best knowledge of the Directors, the Directors confirm that the Company has maintained the aforementioned minimum public float as required by the Stock Exchange during the Reporting Period and up to the date of this report.

SUBSEQUENT EVENTS

In addition to the subsequent events disclosed in the note 49 to the consolidated financial statements of this report, after due and careful consideration, our Directors confirm that, there has not been any material adverse change in financial or trading position or prospects of the Company since 31 December 2023, and there has been no event since 31 December 2023 and up to the date of this report which would materially affect the information set out in the audit's report.

AUDITOR

For the year ended 31 December 2023, the Group's domestic auditors were performed by RSM China, and the international auditors were performed by RSM Hong Kong. The financial statements set out in this annual report have been audited by RSM Hong Kong. There has been no change in auditor of the Group since the Listing Date.

For and on behalf of the Board
CALB GROUP CO., LTD.
Liu Jingyu
Chairwoman and president

Changzhou, the PRC
26 March 2024

Independent Auditor's Report

TO THE SHAREHOLDERS OF
CALB GROUP CO., LTD.
(A joint stock company incorporated in the PRC with limited liability)

Opinion

We have audited the consolidated financial statements of CALB Group Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 89 to 199, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters we identified are:

1. Revenue Recognition

2. Assessment of Provisions and Disclosure for Litigation Claims

3. Valuation of allowance for inventories

4. Government Grants

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the Key Audit Matter</th></tr>
<tr><td>Revenue Recognition

Refer to note 4(w) and note 8 to the consolidated financial statements.

The Group's revenue is principally generated from sales of EV batteries, ESS products and other related goods. During the year, the Group has recorded revenue of approximately RMB27,006 million.

Revenue from sales of goods is recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specific location. The Group's accounting system generally records sales transactions when the goods leave the Group's warehouses. Accordingly, there is a risk that revenue is recognised for sales of individual products before the control of the same have passed to the customer.

We identified revenue recognition as a key audit matter because revenue is one of the key performance indicators of the Group and because there is an inherent risk that revenue could be recorded in an incorrect period or could be subject to manipulation in order to achieve financial targets and expectations.</td><td>

Our audit procedures in relation to the recognition of revenue included the following:

• Understanding and assessing the design, implementation and operating effectiveness of the key internal controls over the Group's systems which govern revenue recognition;

• Inspecting sales contracts with major customers to understand and assess the terms and conditions therein which may affect the recognition of revenue;

• Testing revenue recorded on sample basis covering different business locations and customers, by examining the relevant supporting documents including sales orders, sales contract, goods delivery notes with customer's acceptance, sales invoices and credit notes issued subsequently;

• Comparing sales transactions recorded just before and after the year end with the underlying goods delivery notes to assess if the related revenue had been recognised in the appropriate accounting period;

• Examining the numeric sequence of goods delivery notes before and after year end and investigating any apparent abnormalities;

• Checking to inventories and sales records subsequent to the year end for any significant sales returns that occurred after the reporting period; and

• Scrutinizing all manual journal entries relating to revenue which were raised during the year, enquiring of management the reasons for such adjustments and inspecting underlying documentation on a sample basis.</td></tr>
</table>

Key Audit Matter	How our audit addressed the Key Audit Matter
Assessment of Provisions and Disclosure for Litigation Claims	
Refer to note 36 and note 45(b) to the consolidated financial statements. Provisions are made for litigation and claims of the Group. The amount recorded at 31 December 2023, which represented management's best estimates of the amounts likely to be required to settle these matters, totalled RMB0.24 million. In determining whether provision for these legal claims in dispute is appropriate, management needs to exercise significant judgement, with reference to legal advice given by the Group's legal counsel, about the estimation of probability that an outflow of resources embodying economic benefits will be required for settling the obligation and an estimation of the amount of the obligation which can be measured reliably at the end of the reporting period. We identified the assessment of provisions for litigation and claims as a key audit matter because the estimates on which these provisions are based involve a significant degree of management judgement and because determining the level of provisions may be subject to a degree of management bias.	Our audit procedures in relation to the Group's litigation provisions and disclosures included the following: • Assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors including subjectivity; • Understanding and evaluating key internal controls over the Group's process for assessment of provisions and disclosure for litigation claims; • Evaluating the outcome of prior period assessment of provisions and disclosure for litigation claims to assess effectiveness of the Group's processes for estimation and disclosure; • Discussing significant litigation and claims with the Group's internal legal counsel; • Reviewing legal opinions of the Group's external legal advisors including their views regarding the likely outcome and magnitude of and exposure to the relevant litigation and claims; and • Assessing the adequacy of the provision for litigation claims by evaluating management's assessment regarding the nature and status of material litigations and other relevant factors.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of allowance for inventories	
Refer to note 4(j) and note 24 to the consolidated financial statements.	Our audit procedures in relation to the Group's valuation of allowance for inventory included the following:
As at 31 December 2023, the carrying amount of inventories is approximately RMB7,126 million and allowance for inventories of approximately RMB864 million was charged to profit or loss during the year.	• Assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors including subjectivity;
Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.	• Understanding and evaluating managements key controls over the assessment of the net realisable value of inventories and related loss allowances including periodic review on inventories;
We identified the valuation of allowance for inventories as a key audit matter because the inherent risk in relation to the assessment of the net realisable value of inventories is considered significant as the assessment of net realisable value involves significant estimates and judgements which were subjective.	• Evaluating the outcome of prior period assessment of net realisable value of inventories to assess the effectiveness of management's estimation process; • Evaluating the reasonableness and appropriateness of the methods and estimations used in net realisable value of inventories; and • Comparing the carrying value of inventories to actual prices for sales transactions subsequent to the end of the reporting period, on a sample basis.

Key Audit Matter	How our audit addressed the Key Audit Matter
Government grants	
Refer to note 4(aa), note 9, note 26 and note 33 to the consolidated financial statements. The Group recognises government grant when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received. It has recognised significant government grants in profit or loss during the year, and had significant deferred income as at end of reporting period as set out in note 9 and note 33, respectively. Most of the government grants recognised during the year were related to compensation for operating costs and expenses incurred, hence being income-related and recognised in profit or loss in the same period as the relevant expenditures. As at end of the reporting period, certain government grant receivables as set out in note 26 were recognised but not yet received. We identified accounting for government grants as a key audit matter because of its significance to the consolidated financial statements and because of the exercise of management judgement in the conditions attached to the government grants and assessing whether they are met.	Our audit procedures in relation to the Group's government grants included the following: • Inspecting, on a sample basis, documents relating to government grants received or receivable during the year, identifying the specific conditions attached, and assessing whether the Group's determination on classification of income related and long-term asset related grants complied with IAS 20 Accounting for Government Grants and Disclosure of Government Assistance; • For income-related government grants, we verified the occurrence and recognition of the expenditures, checking whether related government grants released to profit or loss matched corresponding expenditures; and • For asset-related government grants, we verified total government grant amount recognised as deferred revenue matched the corresponding capitalized expenditures of assets purchased or under construction, and verified the relationship between grants and assets items; once these government grant related long-term assets were ready to use we checked whether the recognised deferred revenue was amortised on a straight-line basis to the profit or loss for the period over the useful life of related assets.

Other Information

The directors are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Szeto Tai Shun.

RSM Hong Kong
Certified Public Accountants
29th Floor, Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong
26 March 2024

Consolidated Statement of Profit or Loss

For the year ended 31 December 2023

	Note	2023 RMB'000	2022 RMB'000
Revenue	*8*	27,005,885	20,374,942
Cost of sales		(23,494,367)	(18,271,422)
Gross profit		3,511,518	2,103,520
Investment and other income	*9*	200,492	208,849
Other losses,net	*10*	(877,052)	(62,872)
Selling expenses		(343,162)	(288,264)
Administrative expenses		(675,753)	(590,974)
Research and development expenses		(991,961)	(664,758)
(Impairment losses)/reversal of impairment losses on trade and bills receivables	*25*	(60,763)	9,315
Reversal of impairment losses/(impairment losses) on prepayments, deposits and other receivables	*26*	880	(3,157)
Profit from operations		764,199	711,659
Finance costs	*12*	(330,439)	(65,217)
Share of losses of associates		(157)	(815)
Profit before tax		433,603	645,627
Income tax credit	*13*	3,560	47,910
Profit for the year	*14*	437,163	693,537
Attributable to:			
Owners of the Company		294,377	691,626
Non-controlling interests		142,786	1,911
		437,163	693,537
Earnings per share	*18*		
Basic (RMB per share)		0.1661	0.4408
Diluted (RMB per share)		0.1661	0.4408

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

	2023 RMB'000	2022 RMB'000
Profit for the year	437,163	693,537
Other comprehensive (expense)/income:		
Item that will not be reclassified to profit or loss:		
Fair value changes of equity instruments at fair value through other comprehensive income (FVTOCI)	(29,366)	(120,654)
Item that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	(1,313)	(7,640)
Share of other comprehensive expense of associates reclassified to profit and loss upon disposal of associates	–	503
Other comprehensive expense for the year, net of tax	(30,679)	(127,791)
Total comprehensive income for the year	406,484	565,746
Attributable to:		
Owners of the Company	263,698	563,835
Non-controlling interests	142,786	1,911
	406,484	565,746

Consolidated Statement of Financial Position

For the year ended 31 December 2023

	Note	2023 RMB'000	2022 RMB'000
Non-current assets			
Property, plant and equipment	*19*	67,694,816	45,527,632
Right-of-use assets	*20*	1,786,328	1,618,177
Intangible assets	*21*	1,358,099	1,373,277
Investments in associates	*23*	16,194	16,351
Other financial assets	*28*	639,267	670,565
Deposits paid for acquisition of property, plant and equipment	*26*	1,255,202	3,312,789
Deferred tax assets	*37*	568,099	582,380
		73,318,005	53,101,171
Current assets			
Inventories	*24*	7,125,768	11,821,947
Trade and bills receivables	*25*	6,829,306	5,335,457
Prepayments,deposits and other receivables	*26*	8,536,035	6,149,868
Amounts due from related parties	*27*	232,585	952,154
Other financial assets	*28*	143,676	177,090
Current tax assets		27,790	6,036
Pledged bank deposits	*29(a)*	1,381,631	1,984,783
Restricted bank balances	*29(b)*	267	298
Bank and cash balances	*29(c)*	7,833,962	10,931,814
		32,111,020	37,359,447
Current liabilities			
Trade and bills payables	*30*	19,958,859	21,646,762
Accruals and other payables	*31*	7,513,703	7,090,209
Contract liabilities	*32*	616,955	490,532
Amounts due to related parties	*27*	425,700	471,652
Lease liabilities	*34*	17,036	23,969
Bank borrowings	*35*	8,114,805	2,479,634
Provisions	*36*	98,678	508,826
Current tax liabilities		75,725	63,367
		36,821,461	32,774,951
Net current (liabilities)/assets		(4,710,441)	4,584,496
Total assets less current liabilities		68,607,564	57,685,667

Consolidated Statement of Financial Position

For the year ended 31 December 2023

	Note	2023 RMB'000	2022 RMB'000
Non-current liabilities			
Deferred income	*33*	192,846	679,250
Lease liabilities	*34*	65,765	92,448
Bank borrowings	*35*	21,055,929	15,227,842
Provisions	*36*	895,286	–
Deferred tax liabilities	*37*	11,948	110,668
		22,221,774	16,110,208
NET ASSETS		46,385,790	41,575,459
Capital and reserves			
Equity attributable to owners of the Company			
Share capital	*41*	1,772,302	1,772,302
Reserves	*43*	32,873,598	32,607,016
		34,645,900	34,379,318
Non-controlling interests		11,739,890	7,196,141
TOTAL EQUITY		46,385,790	41,575,459

Approved by the Board of Directors on 26 March 2024 and are signed on its behalf by:

LIU Jingyu

DAI Ying

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

	Attributable to owners of the Company												
	Share capital/ Paid-in capital (Note 41) RMB'000	Capital reserve (Note 43(b)(i)) RMB'000	Merger reserve (Note 43(b)(ii)) RMB'000	Safety production fund (Note 43(b)(iii)) RMB'000	Contribution from shareholder (Note 43(b)(iv)) RMB'000	Exchange reserve (Note 43(b)(v)) RMB'000	Other reserve (Note 43(b)(vi)) RMB'000	Put option Reserve (Note 39) RMB'000	Financial assets at FVTOCI reserve (Note 43(b)(vii)) RMB'000	(Accumulated losses)/ retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2022	1,506,457	23,773,796	8,058	19	58,349	(13)	(503)	(926,620)	–	(257,649)	24,161,894	824,230	24,986,124
Total comprehensive income for the year	–	–	–	–	–	(7,640)	503	–	(120,654)	691,626	563,835	1,911	565,746
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	6,370,000	6,370,000
Issue of puttable equity (note 39)	–	–	–	–	–	–	–	(5,365,847)	–	–	(5,365,847)	–	(5,365,847)
Transferred from put option liabilities (note 39)	–	–	–	–	–	–	–	6,031,310	–	–	6,031,310	–	6,031,310
Share-based payments (note 40)	–	–	–	–	40,631	–	–	–	–	–	40,631	–	40,631
Issuance of ordinary shares upon Global Offering (note 41(i))	265,845	8,681,650	–	–	–	–	–	–	–	–	8,947,495	–	8,947,495
Safety production fund	–	–	–	(19)	–	–	–	–	–	19	–	–	–
Changes in equity for the year	265,845	8,681,650	–	(19)	40,631	(7,640)	503	665,463	(120,654)	691,645	10,217,424	6,371,911	16,589,335
At 31 December 2022	1,772,302	32,455,446	8,058	–	98,980	(7,653)	–	(261,157)	(120,654)	433,996	34,379,318	7,196,141	41,575,459

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

	Attributable to owners of the Company											
	Share capital/ Paid-in capital (Note 41) RMB'000	Capital reserve (Note 43(b)(i)) RMB'000	Merger reserve (Note 43(b)(ii)) RMB'000	Safety production fund (Note 43(b)(iii)) RMB'000	Contribution from shareholder (Note 43(b)(iv)) RMB'000	Exchange reserve (Note 43(b)(v)) RMB'000	Put option Reserve (Note 39) RMB'000	Financial assets at FVTOCI reserve (Note 43(b)(vii)) RMB'000	(Accumulated losses)/ retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2023	1,772,302	32,455,446	8,058	–	98,980	(7,653)	(261,157)	(120,654)	433,996	34,379,318	7,196,141	41,575,459
Total comprehensive income for the year	–	–	–	–	–	(1,313)	–	(29,366)	294,377	263,698	142,786	406,484
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	4,400,000	4,400,000
Share-based payments (note 40)	–	–	–	–	40,631	–	–	–	–	40,631	–	40,631
Share issue expenses	–	(36,784)	–	–	–	–	–	–	–	(36,784)	–	(36,784)
Safety production fund	–	–	–	12,606	–	–	–	–	(13,569)	(963)	963	–
Changes in equity for the year	–	(36,784)	–	12,606	40,631	(1,313)	–	(29,366)	280,808	266,582	4,543,749	4,810,331
At 31 December 2023	1,772,302	32,418,662	8,058	12,606	139,611	(8,966)	(261,157)	(150,020)	714,804	34,645,900	11,739,890	46,385,790

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	Note	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		433,603	645,627
Adjustments for:			
Depreciation of property, plant and equipment	*19*	1,524,605	770,372
Depreciation of right-of-use assets	*20*	65,219	52,310
Amortisation of intangible assets	*21*	160,400	137,620
Equity-settled share-based payments	*40*	40,631	40,631
Share of losses of associates	*23*	157	815
(Gain)/loss on disposal of associates	*10*	(358)	503
Allowance for inventories	*10*	864,164	268,006
Impairment losses/(reversal of impairment losses) on trade and bills receivables,net	*25*	60,763	(9,315)
(Reversal of impairment losses)/impairment losses on other receivables, net	*26*	(880)	3,157
Net loss/(gain) on disposals of property, plant and equipment	*10*	16,069	(616)
Fair value change in financial assets at FVTPL	*10*	30,297	38,281
Fair value change in financial guarantees	*10*	–	(12,354)
Fair value change in put option liabilities	*10*	–	(275,669)
Net (gain)/loss on lease modification	*10*	(1,561)	1,132
Reversal of provision for litigation	*36*	(8,400)	–
Net foreign exchange (gains)/losses	*10*	(31,559)	43,589
Interest income	*9*	(135,447)	(184,243)
Finance costs	*12*	330,439	65,217
Operating profit before working capital changes		3,348,142	1,585,063
Decrease/(increase) in inventories		3,832,015	(10,333,169)
Increase in trade and bills receivables		(1,414,808)	(2,611,438)
Increase in prepayments, deposits and other receivables		(327,700)	(4,498,787)
Decrease/(increase) in amount due from a subsidiary of shareholders		719,388	(6,605)
Decrease/(increase) in pledged bank deposits		603,152	(878,981)
(Decrease)/increase in amounts due to subsidiaries of shareholders		(45,952)	448,808
Decrease in amount due to a shareholder		–	(20)
(Decrease)/increase in trade and bills payables		(1,687,903)	15,329,896
(Decrease)/increase in accruals and other payables		(1,643,629)	3,189,853
Increase in provisions		469,780	372,430
Increase in contract liabilities		126,423	383,614
Decrease in deferred income		(986,404)	(655,895)
Cash generated from operations		2,992,504	2,324,769
Interest expenses on lease liabilities		(4,691)	(4,381)
Income tax paid		(87,645)	(211,334)
Net cash generated from operating activities		2,900,168	2,109,054

Consolidated Statement of Cash Flows
For the year ended 31 December 2023

	Note	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		135,447	184,243
Disposal of subsidiaries		–	979,200
Disposal of associates		66,358	1,087,800
Deposits paid for acquisition of property, plant and equipment		(2,057,587)	(1,636,805)
Payment of property, plant and equipment		(17,707,971)	(28,646,478)
Proceeds from disposals of property, plant and equipment		41,885	39,737
Received government grants in relation to assets		22,211	44,765
Payment of right-of-use assets		(246,389)	(920,862)
Addition of intangible assets		(117,073)	(421,975)
Purchase of other financial assets		(241,194)	(3,735,000)
Proceeds from disposal of other financial assets		240,014	9,790,000
Purchase of shares of listed equity securities		–	(435,505)
Investment in limited partnership and limited partnership fund		–	(471,088)
Investment in associates		(66,000)	–
Decrease in amount due from a shareholder		181	183
Decrease in pledged bank deposits		–	145,762
Decrease/(increase) in restricted bank balances		31	(46)
Net cash used in investing activities		(19,930,087)	(23,996,069)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from bank borrowings		10,496,771	14,816,829
Principal elements of lease payments		(19,036)	(18,027)
Capital contribution from non-controlling interests		4,400,000	6,370,000
Net proceeds from issuance of ordinary shares		–	8,947,495
Share issue expenses		(13,026)	–
Interest paid		(966,487)	(355,737)
Net cash generated from financing activities		13,898,222	29,760,560
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(3,131,697)	7,873,545
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		10,931,814	3,109,518
Effect of foreign exchange rate changes		33,845	(51,249)
CASH AND CASH EQUIVALENTS AT END OF YEAR		7,833,962	10,931,814
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances	*29(c)*	7,833,962	10,931,814

1. General Information

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

The Company has been engaging in the design, research and development, production and sales of EV batteries and ESS products. Particulars and principal activities of its subsidiaries are set out below.

Name	Principal country of operation/Country of incorporation/Kind of legal entity	Registered capital	Paid-up amount	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
中創新航科技(江蘇)有限公司 CALB (Jiangsu) Co., Ltd.*, ("**Jiangsu Company**")	PRC/PRC/Limited liability company	RMB7,500 million	RMB7,500 million	100%	N/A	Research and development production and sales of EV battery and ESS products
中創新航技術研究院(江蘇)有限公司 CALB Technology Co., Ltd.* ("**Jiangsu Research Institute**")	PRC/PRC/Limited liability company	RMB1,000 million	RMB1,000 million	100%	N/A	Research and development of EV battery and ESS products
中創新航新能源(廈門) 有限公司 CALB (Xiamen) Co., Ltd.* ("**Xiamen Company**")	PRC/PRC/Limited liability company	RMB5,000 million	RMB5,000 million	100%	N/A	Research and development production and sales of EV battery and ESS products
中創新航技術研究中心(深圳)有限公司 CALB Technology (Shenzhen) Co., Ltd.* ("**Shenzhen Research Institute**")	PRC/PRC/Limited liability company	RMB100 million	RMB100 million	100%	N/A	Research and development of EV battery and ESS products

1. General Information (Continued)

Name	Principal country of operation/Country of incorporation/Kind of legal entity	Registered capital	Paid-up amount	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
中創新航科技(成都)有限公司 CALB (Chengdu) Co., Ltd.* ("**Chengdu Company**")	PRC/PRC/Limited liability company	RMB4,000 million	RMB4,000 million	51%	N/A	Research and development, production and sales of EV battery and ESS products
中創新航科技(武漢)有限公司 CALB (Wuhan) Co., Ltd.* ("**Wuhan Company**")	PRC/PRC/Limited liability company	RMB7,000 million	RMB6,108 million	51%	N/A	Research and development, production and sales of EV battery and ESS products
中創新航科技(合肥)有限公司 CALB (Hefei) Co., Ltd.* ("**Hefei Company**")	PRC/PRC/Limited liability company	RMB5,000 million	RMB4,150 million	20%	N/A	Research and development, production and sales of EV battery and ESS products
中創新航科技(福建)有限公司 CALB (Fujian) Co., Ltd.* ("**Fujian Company**")	PRC/PRC/Limited liability company	RMB2,500 million	RMB2,500 million	51%	N/A	Research and development, production and sales of EV battery and ESS products
中創新航科技(江門)有限公司 CALB (Jiangmen) Co., Ltd.* ("**Jiangmen Company**")	PRC/PRC/Limited liability company	RMB5,400 million	RMB3,216 million	63.7%	N/A	Research and development, production and sales of EV battery and ESS products
中創新航科技(四川)有限公司 CALB (Sichuan) Co., Ltd.* ("**Sichuan Company**")	PRC/PRC/Limited liability company	RMB4,000 million	RMB2,820 million	51%	N/A	Research and development, production and sales of EV battery and ESS products

1. General Information (Continued)

Name	Principal country of operation/Country of incorporation/Kind of legal entity	Registered capital	Paid-up amount	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
中創新航材料科技(四川)有限公司 CALB Material (Sichuan) Co., Ltd.* ("**Materials Company**")	PRC/PRC/Limited liability company	RMB600 million	RMB600 million	100%	N/A	Research and development, production and sales of EV battery materials
立鼎化學材料科技(江蘇)有限公司 Liding Chemical Materials Technology (Jiangsu) Co., Ltd.* ("**Liding Chemical**")	PRC/PRC/Limited liability company	HKD850 million	HKD850 million	N/A	100%	Research and development of new material technology and sales of battery
中創新航智慧能源科技有限公司 CALB Smart Energy Technology Co., Ltd.*	PRC/PRC/Limited liability company	RMB100 million	RMB100 million	100%	N/A	Research and development, production and sales of EV battery and ESS products
CALB GmbH	Germany/Germany/ Limited liability company	EUR25,000	EUR25,000	100%	N/A	Research and development, production and sales of EV battery and ESS products
CALB (HK) Co., Limited	PRC/Hong Kong/ Limited liability company	USD50,000	USD50,000	100%	N/A	Investment holding and sales of EV battery and ESS products
CALB (SINGAPORE) PTE. LTD.	Singapore/Singapore/ Limited liability company	USD50,000	USD50,000	N/A	100%	Investment holding and sales of EV battery and ESS products
CALB (EUROPE) S.A.	Portugal/Portugal/ Limited liability company	EUR200,000	EUR200,000	N/A	100%	Research and development, production and sales of EV battery and ESS products

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

2. Basis of Preparation

These consolidated financial statements have been prepared in accordance with all applicable IFRS Accounting Standards issued by the International Accounting Standards Board (the "**IASB**"). IFRS Accounting Standards comprise International Financial Reporting Standards ("**IFRS**"); International Accounting Standards ("**IAS**"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

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

The Group had net current liabilities of approximately RMB4,710 million and recorded net cash outflow of approximately RMB3,132 million, among which included cash inflow from operating activities of approximately RMB2,900 million.

Bank and cash balances totalled approximately RMB7,834 million as at 31 December 2023, while total outstanding bank loans amounted to approximately RMB29,171 million, with approximately RMB8,115 million due within one year.

Additionally, the Group has capital commitments of approximately RMB19,828 million at the end of reporting period which are mostly expected to be fulfilled within the next 18 months.

Notwithstanding the above events and conditions, the directors of the Company (the "**Directors**") had adopted the going concern basis in the preparation of these consolidated financial statements of the Group on the grounds including but not limited to the following:

(a) As set out in note 35 to the consolidated financial statements, the Group had committed and undrawn short-term borrowing facilities of approximately RMB17,683 million and committed and undrawn long-term borrowing facilities of approximately RMB21,933 million as at the end of reporting period available to meet the operating requirements and foreseeable future capital investment requirements;

(b) Management expect the Group will successfully arrange rolling-over of borrowing facilities with sufficient amounts for the Group's operating and capital investment needs; and

(c) Taking the above into consideration, the Directors have prepared a comprehensive cashflow forecast for the 18 months ending 30 June 2025 in order to estimate the Group's cash requirements. Based on this analysis, the Directors are of the opinion that the Group has sufficient working capital and banking facilities to meet its present needs throughout the aforementioned period.

Therefore, the Directors are of the view that it is appropriate to adopt the going concern basis when preparing these consolidated financial statements.

3. Adoption of New and Revised IFRS Accounting Standards

(a) Application of new and revised IFRS Accounting Standards

The Group has applied the following new and amendments to IFRS Accounting Standards issued by the IASB for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2023 for the preparation of the consolidated financial statements:

IFRS 17	Insurance Contracts
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform – Pillar Two Model Rules

Except as described below, the application of the new and amendments to IFRS Accounting Standards in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impact on application of Amendments to IAS 1 and IFRS Practice Statement 2 "Disclosure of Accounting Policies"

The Group has adopted Amendments to IAS 1 and IFRS Practice Statement 2 "Disclosure of Accounting Policies" for the first time in the current year. IAS 1 "Presentation of Financial Statements" is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

IFRS Practice Statement 2 "Making Materiality Judgements" (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies set out in note 4 to the consolidated financial statements.

3. Adoption of New and Revised IFRS Accounting Standards (Continued)

(a) *Application of new and revised IFRS Accounting Standards (Continued)*

Impact on application of Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

The Group has adopted Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction" for the first time in the current year. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases.

The Group previously accounted for deferred tax on leases applying the "integrally linked" approach, resulting in a similar outcome to the amendments, except that the deferred tax asset or liability was recognised on a net basis. Following the amendments, the Group has recognised a separate deferred tax asset in relation to its lease liabilities and a deferred tax liability in relation to its right-of-use assets. The change primarily impacts disclosures of components of deferred tax assets and liabilities in Note 37, but does not impact the overall deferred tax balances presented on the consolidated statement of financial position as the related deferred tax balances qualify for offset under IAS 12.

Impact on application of Amendments to IAS 12 "International Tax Reform – Pillar Two Model Rules"

The Group has adopted Amendments to IAS 12 "International Tax Reform – Pillar Two Model Rules" for the first time in the current year. IAS 12 is amended to add the exception to recognising and disclosing information about deferred tax assets and liabilities that are related to tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (the "Pillar Two legislation"). The amendments require that entities apply the amendments immediately upon issuance and retrospectively. The amendments also require that entities to disclose separately its current tax expense/income related to Pillar Two income taxes in periods which the Pillar Two legislation is in effect, and the qualitative and quantitative information about its exposure to Pillar Two income taxes in periods in which the Pillar Two legislation is enacted or substantially enacted but not yet in effect in annual reporting periods beginning on or after 1 January 2023.

The Group is yet to apply the temporary exception during the current year because the Group's entities are operating in jurisdictions where the Pillar Two legislation has not yet been enacted or substantially enacted. The Group will disclose known or reasonably estimated information that helps users of financial statements to understand the Group's exposure to Pillar Two income taxes in the Group's consolidated financial statements when the Pillar Two legislation is enacted or substantially enacted and will disclose separately current tax expense/income related to Pillar Two income taxes when it is in effect.

3. Adoption of New and Revised IFRS Accounting Standards (Continued)

(b) New and revised IFRS Accounting Standards in issue but not yet effective

The Group has not early applied the following amendments to standards and interpretation that have been issued but are not yet effective:

	Effective for accounting periods beginning on or after
Amendments to IAS 1 – Non-current Liabilities with Covenants	1 January 2024
Amendments to IFRS 16 – Lease liability in a sales and leaseback	1 January 2024
Amendment to IAS 7 and IFRS 7 – Supplier Finance Arrangements	1 January 2024
Amendments to IAS 21 – Lack of Exchangeability	1 January 2025
Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the IASB

The Directors anticipate that the application of all amendments to IFRS Accounting Standards will not have material impact on the consolidated financial statements in the foreseeable future.

4. Material Accounting Policy Information

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. financial instruments that are measured at fair value).

The preparation of financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

4. Material Accounting Policy Information (Continued)

The material accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of subsidiaries that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in those subsidiaries and (ii) the Company's share of the net assets of those subsidiaries plus any remaining goodwill and any accumulated exchange reserve relating to that subsidiary.

Intragroup transactions, balances and unrealised profits are eliminated, Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

4. Material Accounting Policy Information (Continued)

(a) Consolidation (Continued)

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amounts by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

(b) Separate financial statements

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment loss, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale). The result of subsidiaries are accounted for by the Company on the basis of dividend received or receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(c) Merger accounting for business combination under common control

These consolidated financial statements incorporate the financial statements items of the combining businesses in which the common control combination occurs as if the current group structure had always been in existence.

The consolidated financial statements incorporate the financial statements of the combining entities as if they had been combined from the date when they first came under the control of the controlling party.

The consolidated statements of profit or loss and the other comprehensive income include the results of each of the combining businesses from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The consolidated statements of financial position have been prepared to present the assets and liabilities of the combining entities as if the group structure had been in existence at the end of each reporting period. The net assets of the combining entities are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or gain on bargain purchase at the time of common control combination, to the extent of the continuation of the controlling party's interest.

4. Material Accounting Policy Information (Continued)

(d) Business combination (other than under common control) and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The consideration transferred in a business combination is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and any contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the sum of the consideration transferred over the Group's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the sum of the consideration transferred is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Group.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the sum of the consideration transferred in a business combination to calculate the goodwill.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

After initial recognition, goodwill is measured at Cost less accumulated impairment losses. For the purpose of Impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs") or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to its recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(e) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

4. Material Accounting Policy Information (Continued)

(e) Associates (Continued)

Investments in associates are accounted for in the consolidated financial statements by the equity method and are initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of the investment over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill which is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group's share of an associate's post-acquisition profits or losses and other comprehensive income is recognised in consolidated statement of profit or loss and other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate (which includes any long-term interests that, in substance, from part of the Group's net investment in the associate), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate, If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's entire carrying amount of that associate (including goodwill) and any related accumulated exchange reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Groups interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

4. Material Accounting Policy Information (Continued)

(f) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The consolidated financial statements are presented in Renminbi ("**RMB**"), which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currency are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all foreign operations (none of which has the currency of hyperinflationary economy) that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

- Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

- All resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange reserve.

4. Material Accounting Policy Information (Continued)

(f) Foreign currency translation (Continued)

(iii) Translation on consolidation (Continued)

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the exchange reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustment arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(g) Property, plant and equipment

Property, plant and equipment are stated in the consolidated financial statements at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings	20-35 years
Machinery	10%
Computer equipment	32%
Furniture and office equipment	19% – 32%
Leasehold improvements	Over the shorter of the term of the lease and estimated useful life of 5 years
Motor vehicles	24%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

4. Material Accounting Policy Information (Continued)

(h) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in, exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group as a lessee

Where the contract contains lease components and non-lease components, the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily laptops and office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease tern, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

4. Material Accounting Policy Information (Continued)

(h) Leases (Continued)

The Group as a lessee (Continued)

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ('lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of IFRS 16. In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of IFRS 16 and recognised the change in consideration as if it were not a lease modification.

(i) Other intangible assets

(a) Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internal generated intangible asset is recognised only if all of the following conditions are met:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- Management intends to complete the intangible asset and use or sell it;
- There is ability to use or sell the intangible asset;
- It can be demonstrated how the intangible asset will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete development and to use or sell the intangible assets are available;
- The expenditure attributable to the intangible asset during its development can be reliably measured.

Development costs are stated at cost less any impairment losses. The development costs are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding 10 years after the products are put into commercial production.

4. Material Accounting Policy Information (Continued)

(i) Other intangible assets (Continued)

(b) Intangible assets acquired separately

The following intangible assets are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line method over their estimated useful lives as follows:

Computer software	Not more than 10 years
Trademark	10 years
Patent	Not more than 10 years
Others	Not more than 10 years

The amortisation period and the amortisation method for intangible assets with finite useful life are reviewed at least at each financial year end.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(k) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory, property, plant and equipment or intangible assets.

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Incremental costs of obtaining a contract are capitalised when incurred if the costs are expected to be recovered, unless the expected amortisation period is one year or less from the date of initial recognition of the asset, in which case the costs are expensed when incurred. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract. Other costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

4. Material Accounting Policy Information (Continued)

(k) Other contract costs (Continued)

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised.

(l) Contract assets and contract liabilities

Contract asset is recognised when the Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses ("**ECL**") in accordance with the policy set out in note 4(dd) and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method replaced.

(m) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

4. Material Accounting Policy Information (Continued)

(m) Recognition and derecognition of financial instruments (Continued)

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(n) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Debt investments

Debt investments held by the Group are classified into one of the following measurement categories:

– Amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.

– Fair value through other comprehensive income ("**FVTOCI**") – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– FVTPL if the investment does not meet the criteria for being measured at amortised cost or FVTOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

4. Material Accounting Policy Information (Continued)

(n) Financial assets (Continued)

Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVTOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the financial assets at FVTOCI reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the financial assets at FVTOCI reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVTOCI, are recognised in profit or loss as other income.

(o) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method less allowance for credit losses.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within six months of maturity at acquisition. Cash and cash equivalents are assessed for ECL.

(q) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under IFRS Accounting Standards. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out in notes (r) to (v) below.

4. Material Accounting Policy Information (Continued)

(r) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(s) Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

– the amount determined in accordance with the ECL model under IFRS 9 and

– the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

(t) Put Option Liability

An arrangement that grants the non-controlling shareholder an option to sell the equity shares of the Company's subsidiary back to the Company ("the put option") shall be accounted for as financial liability of the Company as it contains an obligation to transfer cash on purchase of the non-controlling interests' shares. When the put option is initially issued, a liability shall be recorded for the present value of the redemption amount (which should be estimated if it is not contractually fixed), and subsequently measured at fair value based on the terms of the put option. In the event that the non-controlling interest written put option expires unexercised or cancelled, the liability is derecognised with a corresponding adjustment to equity.

4. Material Accounting Policy Information (Continued)

(u) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(v) Equity instruments

Any equity instrument is any contract that evidence a residual interest in the assets of an equity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue cost.

(w) Revenue and other income

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Revenue from the sale of goods is recognised when control of the goods has transferred, being when the goods have shipped to the customer's specific location (delivery). A receivable is recognised by the Group when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Revenue from the provision of services is recognised over the scheduled period on an input method because the customer simultaneously receives and consumes the benefits provided by the Group.

Revenue from other sources

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset, lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVTOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross candying amount net of loss allowance) of the asset.

Dividend income is recognised when the shareholders' rights to receive payment are established.

4. Material Accounting Policy Information (Continued)

(x) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Medical benefits

The Group's contributions to various defined contribution medical benefit plans organised by the relevant municipal and provincial governments in the PRC are expensed as incurred.

(iii) Pension scheme – Mainland China

The employees of the Group's subsidiaries, which operate in Mainland China, are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

(iv) Housing fund – Mainland China

The Group contributes on a monthly basis to a defined contribution housing fund plan operated by the local municipal government. Contributions to this plan by the Group are expensed as incurred.

(v) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

(y) Share-based payments

The Group issues equity-settled share-based payments to certain directors and employees. Equity-settled share-based payments are measured at the fair value (excluding the effect of non-market based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

4. Material Accounting Policy Information (Continued)

(z) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. Any specific borrowing that remain outstanding after the related asset is ready for its intend use or sales included in the general borrowing pool for calculation of capitalisation rate on general borrowing.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(aa) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to the acquisition or construction of long-term assets are *asset-related government grants*. Such government grants are firstly recognised in deferred income until the corresponding long-term assets are completed and put to use. The government grants shall offset the carrying value of related assets and are recognised in profit or loss over the life of the related depreciable assets by way of reduced depreciation expenses.

Income-related government grants are government grants other than asset-related government grants. Such government grants are deducted from the related operating costs and expenses and recognise in the same period as the expenses specifically relevant to the grants. Income-related government grants shall be recognised as deferred income and recognised as described above when the relevant costs or losses are recognised subsequently.

For government grants that include both asset-related portion and income-related portion, different portions shall be accounted for separately.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

4. Material Accounting Policy Information (Continued)

(aa) Government grants (Continued)

Repayment of income-related government grant is applied first against any unamortised deferred income set up in respect of the grant. To the extent that the repayment exceeds any such deferred income, or where no deferred income exists, the repayment is recognised immediately in profit or loss. Repayment of asset-related government grant is recognised by increasing the carrying amount of the asset by the amount repayable. The cumulative additional depreciation that would have been recognised in profit or loss to date in the absence of the grant is recognised immediately in profit or loss.

(bb) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of transaction does not give rise to equal taxable and deductible temporary differences.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

4. Material Accounting Policy Information (Continued)

(bb) Taxation (Continued)

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to right-of-use assets and lease liabilities separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised and a deferred tax liability for all taxable temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis, or to realise the asset and settle the liability simultaneously.

(cc) Impairment of non-financial assets

The carrying amounts of other non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the CGU to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the CGU.

Value in use is the present value of the estimated future cash flows of the asset/CGU. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/CGU whose impairment is being measured.

Impairment losses on CGUs are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the CGU. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

4. Material Accounting Policy Information (Continued)

(dd) Impairment of financial assets and contract assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost, trade receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

– significant deterioration in external market indicators of credit risk for a particular financial instrument;

4. Material Accounting Policy Information (Continued)

(dd) Impairment of financial assets and contract assets (Continued)

Significant increase in credit risk (Continued)

– existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

– an actual or expected significant deterioration in the operating results of the debtor;

– significant increases in credit risk on other financial instruments of the same debtor;

– an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(i) the financial instrument has a low risk of default,

(ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and

(iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contract, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

4. Material Accounting Policy Information (Continued)

(dd) Impairment of financial assets and contract assets (Continued)

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

– when there is a breach of financial covenants by the counterparty; or

– information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

– significant financial difficulty of the issuer or the counterparty;

– a breach of contract, such as a default or past due event;

– the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider;

– it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or

– the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over one year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

4. Material Accounting Policy Information (Continued)

(dd) Impairment of financial assets and contract assets (Continued)

Measurement and recognition of ECL

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

(ee) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(ff) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. Critical Judgements and Key Estimates

In applying the Group's accounting policies, which are described in note 4, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

(a) Going concern basis

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the banking facilities available to the group at a level sufficient to finance its working capital requirements and capital investment requirement. Details are explained in note 2 to the consolidated financial statements.

(b) Consolidation of entity with less than 50% equity interest holding

Although the Company owns less than 50% of the equity interest in Hefei Company, Hefei Company is treated as a subsidiary because the Group is able to control the relevant activities of Hefei Company as a result of the voting rights entrustment agreement and concerted action agreement entered into between the Company and the other major shareholder of Hefei Company. The other major shareholder agrees to entrust 31% voting rights to the Company and to act in concert for all voting decisions made by the Company in Hefei Company's board of directors meeting and shareholders meeting. In addition, according to the articles of association of Hefei Company, the board of directors of Hefei Company shall comprise 3 directors, of which the Company has the right to nominate 2 directors.

5. Critical Judgements and Key Estimates (Continued)

Critical judgements in applying accounting policies (Continued)

(c) Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI (i.e. Solely Payments of Principal and Interest) test and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortised cost or FVTOCI that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

(d) Significant increase in credit risk

As explained in note 4(dd), ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.

(e) Determining the lease term

In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation.

Generally, periods covered by an extension option in other properties leases have not been included in the lease liability because the Group could replace the assets without significant cost or business disruption. See note 20 for further information.

The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. During the current financial year, no lease term has been reassessed.

5. Critical Judgements and Key Estimates (Continued)

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) *Deferred tax asset*

As at 31 December 2023, a deferred tax asset of approximately RMB276,810,000 (2022: RMB233,347,000) in relation to unused tax losses for certain operating subsidiaries has been recognised in the consolidated statement of financial position. No deferred tax asset has been recognised on the tax losses of RMB1,065,193,000 (2022: RMB953,387,000) for certain subsidiaries due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future, which is a key source of estimation uncertainty. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

(b) *Impairment of property, plant and equipment, right-of-use assets and intangible assets*

Property, plant and equipment, right-of-use assets and intangible assets are stated at costs less accumulated depreciation and impairment, if any. Intangible assets not yet available for use (such as development costs) must be tested for impairment annually. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the Continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

Further, the cash flows projections, growth rate and discount rate are subject to greater uncertainties in current year due to uncertainty on volatility in material cost.

5. Critical Judgements and Key Estimates (Continued)

Key sources of estimation uncertainty (Continued)

(b) Impairment of property, plant and equipment, right-of-use assets and intangible assets (Continued)

The carrying amount of property, plant and equipment was approximately RMB67,694,816,000 (2022: RMB45,527,632,000) as at 31 December 2023.

The carrying amount of right-of-use assets was approximately RMB1,786,328,000 (2022: RMB1,618,177,000) as at 31 December 2023.

The carrying amount of intangible assets was approximately RMB1,358,099,000 (2022: RMB1,373,277,000) as at 31 December 2023.

(c) Impairment of trade receivables

The management of the Group estimates the amount of impairment loss for ECL on trade receivables based on the credit risk of trade receivables. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

The provision of ECL is sensitive to changes in estimates. Due to greater financial uncertainty triggered by the changing economic landscape of the PRC, the Group has increased the expected loss rates in the current year as there is higher risk that a turbulence in general market could led to increased credit default rates. The information about the ECL and the Group's trade receivables disclosed in note 6(b).

At 31 December 2023, the carrying amount of trade receivables was RMB5,071,212,000 (2022: RMB3,582,355,000) (net of allowance of doubtful debts of RMB88,639,000 (2022: RMB27,876,000)).

(d) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on current market conditions and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer's demand in response to EV battery and ESS products industry cycles and volatility. The Group will reassess the estimates by the end of each reporting period.

During the year, RMB864,164,000 (2022: RMB268,006,000) allowance of slow-moving inventories was recognised.

5. Critical Judgements and Key Estimates (Continued)

Key sources of estimation uncertainty (Continued)

(e) Warranty provisions

As explained in note 36(a), the Group makes product warranty provision based on its best estimate of the expected settlement under the sales agreements in respect of products sold which are still within the warranty period. The amount of provision takes into account the Group's recent claim experience, historical warranty data and a weighting of all possible outcomes against their associated probabilities. As the Group is continually upgrading its product designs and launching new models, it is possible that the recent claim experience is not indicative of future claims that it will receive in respect of past sales. Any increase or decrease in the provision would affect profit or loss in current and future years.

(f) Estimated provisions for litigation claims

The Group evaluates whether a present obligation exists under litigation claim after taking into account all available evidence, including the opinion of experts. A provision is recognised for litigation claim if the Directors consider it is more likely than not that present obligation exists and a reliable estimate can be made on the settlement amount of the claim. If it is more likely than not that no present obligation exists, the Group should disclose a contingent liability, unless the possibility of any transfer of economic benefits in settlement is remote. Details of the Group's provisions and contingent liabilities related to litigation claims are disclosed in note 36(b) and note 45(b), respectively.

(g) Income taxes

Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is not completely certain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially estimated based on the then circumstances, such differences will impact the income tax and deferred tax provisions in the period in which such outcome is finalized and agreed by relevant tax authorities. During the year, income tax credit of RMB3,560,000 (2022: RMB47,910,000) was recognised in profit or loss based on the latest assessment.

6. Financial Risk Management

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in RMB. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

At 31 December 2023, if the RMB had weakened/strengthened five per cent against United States Dollar with all other variables held constant, consolidated profit after tax for the year would have been RMB14,252,000 (2022: RMB5,440,000) higher/lower, arising mainly as a result of the foreign exchange gain/loss on bank balances denominated in United States Dollar.

At 31 December 2023, if the RMB had weakened/strengthened five per cent against Euro with all other variables held constant, consolidated profit after tax for the year would have been RMB27,707,000 higher/lower, arising mainly as a result of the foreign exchange gain/loss on bank balances denominated in Euro. The sensitivity analyses on the change of RMB against Euro as the impact to the financial statements was insignificant at 31 December 2022.

No sensitivity analyses on the change of RMB against other currencies are prepared as the impact to the financial statements is insignificant.

(b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, and other financial instruments. The Group's exposure to credit risk arising from bank and cash balances, restricted bank balances and pledged bank deposits is limited because the counterparties are banks and financial institutions with high credit-rating assigned by international credit-rating agencies, for which the Group considers to have low credit risk.

Trade and bills receivables

Customer credit risk is managed by each business unit subject to the Groups' established policy, procedures and control relating to customer credit risk management. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are normally due within 90 days from the date of billing. Debtors with balances that are more than 6 months past due are requested to settle all outstanding balances before any further credit is granted, Normally, the Group does not obtain collateral from customers.

6. Financial Risk Management (Continued)

(b) Credit risk (Continued)

Trade and bills receivables (Continued)

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2023 and 2022:

As at 31 December 2023

			Past due		Individually	
	Current	0-180 days	181-365 days	Over 1 year	assessed	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Expected credit loss rate (%)	–	5.6%	21.9%	50.0%	100.0%	
Gross carrying amount	4,418,985	659,090	29,646	13,582	38,548	5,159,851
Expected credit losses	–	36,797	6,503	6,791	38,548	88,639

As at 31 December 2022

			Past due		Individually	
	Current	0-180 days	181-365 days	Over 1 year	assessed	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Expected credit loss rate (%)	–	5%	10%	50%	100%	
Gross carrying amount	3,530,603	35,513	19,190	1,487	23,438	3,610,231
Expected credit losses	–	1,776	1,919	743	23,438	27,876

Expected credit loss rates are based on actual loss experience over the past 1 year and are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

6. Financial Risk Management (Continued)

(b) Credit risk (Continued)

Trade and bills receivables (Continued)

Movement in the loss allowance account in respect of trade receivables is as follows:

	RMB'000
At 1 January 2022	37,191
Reversal of loss allowance recognised for the year, net	(9,315)
At 31 December 2022 and 1 January 2023	27,876
Loss allowance recognised for the year, net	60,763
At 31 December 2023	88,639

The ECLs for bills receivables, which are all bank acceptance bills, approximates to zero. Those banks who issue bank acceptance bills are creditworthy banks with no recent history of default.

Financial assets at amortised cost

All of the Group's financial assets at amortised cost, other than trade and bills receivables, are considered to have low credit risk, and the loss allowance recognised during the year was therefore limited to 12-month expected losses.

Financial assets at amortised cost include deposits and other receivables and amounts due from related parties.

Movement in the loss allowance for financial assets at amortised cost is as follows:

	Deposit and other receivables RMB'000
As at 1 January 2022	4,679
Loss allowance recognised for the year	3,157
At 31 December 2022 and 1 January 2023	7,836
Reversal of loss allowance recognised for the year, net	(880)
At 31 December 2023	6,956

6. Financial Risk Management (Continued)

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis based on contractual undiscounted cash flows of the Group's financial liabilities is as follows:

	Less than 1 year RMB'000	Between 2 to 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
At 31 December 2023				
Trade and bills payables	19,958,859	–	–	19,958,859
Accruals and other payables	7,513,703	–	–	7,513,703
Amounts due to related parties	425,700	–	–	425,700
Lease liabilities	20,539	73,095	–	93,634
Bank borrowings	9,004,935	20,880,304	2,540,490	32,425,729
At 31 December 2022				
Trade and bills payables	21,646,762	–	–	21,646,762
Accruals and other payables	7,046,733	–	–	7,046,733
Amounts due to related parties	471,652	–	–	471,652
Lease liabilities	28,881	103,471	–	132,352
Bank borrowings	3,128,055	13,733,317	3,443,385	20,304,757

(d) Interest rate risk

The Group's exposure to interest-rate risk mainly arises from its bank deposits and bank borrowings. These deposits and borrowings bear interests at variable rate varied with the prevailing market condition.

At 31 December 2023, if interest rates at that date had been 100 basis points higher with all other variables held constant, consolidated profit after tax for the year would have been RMB99,156,000 lower (2022: RMB3,442,000 higher), arising mainly as a result of higher interest income on bank deposits net of higher interest expenses on bank borrowings. If interest rates had been 100 basis points lower, with all other variables held constant, consolidated profit after tax for the year would have been RMB99,156,000 higher (2022: RMB3,442,000 lower), arising mainly as a result of lower interest income on bank deposits net of lower interest expenses on bank borrowings.

6. Financial Risk Management (Continued)

(e) Categories of financial instruments

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Financial assets:		
Financial assets measured at amortised cost	18,766,230	19,277,057
Financial assets at FVTPL	188,164	224,925
Financial assets at FVTOCI	594,779	622,730
Financial liabilities:		
Financial liabilities at amortised cost	57,012,203	46,872,663
Lease liabilities	82,801	116,417

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statements of financial position approximate their respective fair values.

(g) Transfers of financial assets

The following were the Group's financial assets transferred to banks or suppliers by discounting those receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing (note 25). These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

As at 31 December 2023

	Bills receivables discounted to banks with full recourse RMB'000
Carrying amount of transferred assets	658,426
Carrying amount of associated liabilities	658,426
Net position	–

6. Financial Risk Management (Continued)

(g) Transfers of financial assets (Continued)

As at 31 December 2022

	Bills receivables discounted to banks with full recourse RMB'000
Carrying amount of transferred assets	108,810
Carrying amount of associated liabilities	108,810
Net position	–

7. Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

7. Fair Value Measurements (Continued)

(a) Disclosures of level in fair value hierarchy:

	Fair value measurements using:			As at 31 December 2023
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	RMB'000
Recurring fair value measurements:				
Financial assets				
Financial assets at FVTOCI				
– Certificate of deposit	–	104,926	–	104,926
– Investment in a listed equity security	193,060	–	–	193,060
– Investment in an unlisted equity security	–	–	296,793	296,793
Financial assets at FVTPL				
– Investment in a listed equity security	38,750	–	–	38,750
– Investment in an unlisted debt instrument	–	–	149,414	149,414
	231,810	104,926	446,207	782,943

	Fair value measurements using:			As at 31 December 2022
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	RMB'000
Recurring fair value measurements:				
Financial assets				
Financial assets at FVTOCI				
– Certificate of deposit	–	101,428	–	101,428
– Investment in a listed equity security	234,590	–	–	234,590
– Investment in an unlisted equity security	–	286,712	–	286,712
Financial assets at FVTPL				
– Investment in a listed equity security	75,662	–	–	75,662
– Investment in an unlisted debt instrument	–	149,263	–	149,263
	310,252	537,403	–	847,655

7. Fair Value Measurements (Continued)

(b) Reconciliation of assets measured at fair value based on level 3:

	Financial assets at FVTPL – Investment in an unlisted debt instrument RMB'000	Financial assets at FVTOCI – Investment in an unlisted equity security RMB'000	2023 Total RMB'000
At beginning of year	–	–	–
Transferred from Level 2	149,263	286,712	435,975
Total gains or losses recognised			
in profit or loss	151	–	151
in other comprehensive income	–	10,081	10,081
At end of year	149,414	296,793	446,207

During the year, financial assets at FVTPL amounting RMB149,263,000 (2022: RMB Nil) and financial assets at FVTOCI amounting RMB286,712,000 (2022: RMB Nil) were transferred from measurement based on level 2 to level 3 as a result of changes in the underlying investmens for the limited liability partnership and limited partnership fund.

The total gains or losses recognised in other comprehensive income are presented in fair value changes of equity instruments at fair value through other comprehensive income (FVTOCI) in the consolidated statement of profit or loss and other comprehensive income.

The total gains or losses recognised in profit or loss including those for assets held at end of reporting period are presented in other losses, net in the consolidated statement of profit or loss.

7. Fair Value Measurements (Continued)

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements:

The Group's financial controller is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 2 and level 3 fair value measurements. The financial controller reports directly to the Directors for these fair value measurements. Discussions of valuation processes and results are held between the financial controller and the Directors at least once a year.

For level 2 fair value measurements, specific valuation techniques adopted by the Group to evaluate the financial assets include the annual interest rates for certificate of deposits and net assets value for the limited partnership fund and limited liability partnership.

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Effect on fair value for increase of inputs	Fair value	
				2023 RMB'000	2022 RMB'000
Investment in an unlisted debt instrument classified as financial assets at FVTPL	Net assets value of underlying investment	Net assets	Increase	149,414	–
Investment in an unlisted equity security classified as financial assets at FVTOCI	Net assets value of underlying investment	Net assets	Increase	296,793	–

8. Revenue

(a) Disaggregation of revenue

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

	2023 RMB'000	2022 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Sales of EV batteries	22,249,046	18,323,505
Sales of ESS products and others	4,756,839	2,051,437
	27,005,885	20,374,942

8. Revenue (Continued)

(a) Disaggregation of revenue (Continued)

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines and geographical regions:

	Sales of EV battery		Sales of ESS products and others		Total	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Primary geographical markets						
– Mainland China	22,017,722	18,014,091	4,335,306	1,974,344	26,353,028	19,988,435
– Europe	92,548	60,848	60,467	22,327	153,015	83,175
– Asia	117,679	213,078	335,680	275	453,359	213,353
– America	18,721	35,488	25,326	54,491	44,047	89,979
– Others	2,376	–	60	–	2,436	–
Revenue from external customers	22,249,046	18,323,505	4,756,839	2,051,437	27,005,885	20,374,942
Timing of revenue recognition						
– Products transferred at a point in time	22,249,046	18,323,505	4,691,173	2,010,924	26,940,219	20,334,429
– Products and services transferred over time	–	–	65,666	40,513	65,666	40,513
Total	22,249,046	18,323,505	4,756,839	2,051,437	27,005,885	20,374,942

(b) Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at year end and the expected timing of recognising revenue as follows:

	2023 RMB'000	2022 RMB'000
Within 1 year	616,955	490,532

9. Investment and other income

	2023 RMB'000	2022 RMB'000
Interest income on:		
– Bank deposits	131,672	120,739
– Financial assets at FVTOCI	3,775	63,504
Total interest income	135,447	184,243
Government grants and subsidies (note)	41,808	17,419
Compensation from suppliers	12,778	5,335
Insurance compensation income	1,773	853
Reversal of provision for litigation	8,400	–
Others	286	999
	200,492	208,849

Note:

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

	2023 RMB'000	2022 RMB'000
Research and development subsidies	16,321	4,640
Subsidies on industry development	19,394	9,994
Subsidies on recruitment	1,597	1,265
Others	4,496	1,520
	41,808	17,419

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

Apart from above, the Group has recognised government grants of approximately RMB5,524 million (2022: RMB1,539 million) in total, which were accounted for in accordance with the accounting policies as set forth in note 4(aa) to the consolidated financial statements. These government grants, mostly being income-related, were used to offset the related operating costs and expenses, or deduct from the carrying value of the related property, plant and equipment if they are asset-related. There were no conditions attached to these government grants that were unfulfilled as at the end of the reporting period.

10. Other losses, net

	2023 RMB'000	2022 RMB'000
Fair value change in financial assets at FVTPL	(30,297)	(38,281)
Fair value change in financial guarantees	–	12,354
Fair value change in put option liabilities	–	275,669
Gain/(loss) on disposal of associates	358	(503)
Allowance for inventories	(864,164)	(268,006)
Net foreign exchange gain/(loss)	31,559	(43,589)
Net gain/(loss) on lease modification	1,561	(1,132)
Net (loss)/gain on disposals of property, plant and equipment	(16,069)	616
	(877,052)	(62,872)

11. Segment information

The Group is mainly engaged in the design, research and development, production and sales of EV batteries and ESS products in the PRC, and all the assets are substantially located in the PRC. Accordingly, there is only one single business reportable segment which is regularly reviewed by the chief operating decision maker.

Revenue from major customers:

	2023 RMB'000	2022 RMB'000
Customer A	7,770,461	8,056,758
Customer B	4,913,962	3,457,134
Customer C*	3,026,489	N/A

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

12. Finance costs

	2023 RMB'000	2022 RMB'000
Interest expenses on lease liabilities (note 20)	4,691	4,691
Interest on bank borrowings and finance charges	966,487	355,737
Total borrowing costs	971,178	360,428
Amount capitalised	(640,739)	(295,211)
	330,439	65,217

13. Income tax credit

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

	2023 RMB'000	2022 RMB'000
Current tax – the PRC		
Provision for the year	(11,159)	(63,127)
(Under)/Over provision in prior years	(63,375)	15,054
	(74,534)	(48,073)
Current tax – Others		
Provision for the year	(116)	(261)
Deferred tax (note 37)	78,210	96,244
	3,560	47,910

13. Income tax credit (Continued)

Under the relevant income tax law, the PRC subsidiaries are subject to Enterprise Income Tax ("**EIT**") at a statutory rate of 25% on their respective taxable income during the year.

The Company and certain subsidiaries operating in Mainland China were approved to be high and new technology enterprises and were entitled to a reduced EIT rate of 15%. The high and new technology enterprises certificates need to be renewed every three years so as to enable the Company and those subsidiaries to enjoy the reduced EIT rate of 15%.

The reconciliation between the income tax credit and the product of profit before tax multiplied by the PRC EIT rate is as follows:

	2023 RMB'000	2022 RMB'000
Profit before tax	433,603	645,627
Tax at the PRC Enterprise Income Tax rate of 15%	65,040	96,844
Tax effect of expenses that are not deductible	6,360	13,517
Tax effect of super deduction of qualified research and development expenditure	(256,038)	(270,771)
Tax effect of temporary differences not recognised	2,998	(37,292)
Tax effect of tax losses not recognised	24,205	73,957
Tax effect of utilisation of tax losses not previously recognised	–	(14)
Effect on deferred tax balance resulting from a change in tax rate	96,871	–
Effect of different tax rates of subsidiaries	(6,371)	90,903
Under/(over) provision in prior years	63,375	(15,054)
Income tax credit	(3,560)	(47,910)

14. Profit for the year

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

	2023 RMB'000	2022 RMB'000
Allowance for inventories (note 10)	864,164	268,006
Amortisation of intangible assets (note 21)	160,400	137,620
Auditor's remuneration		
– Audit services	3,873	3,651
– Non-audit services	577	1,293
– Listing related services*	–	16,999
Cost of inventories sold	23,494,367	18,271,422
Depreciation of property, plant and equipment (note 19)	1,524,605	772,475
Depreciation of right-of-use assets (note 20)	65,219	52,310
Net loss/(gain) on disposals of property, plant and equipment (note 10)	16,069	(616)
Net (gain)/loss on lease modification	(1,561)	1,132
Impairment losses/(reversal of impairment losses) on trade and bills receivables	60,763	(9,315)
(Reversal of impairment losses)/impairment losses on prepayments, deposits and other receivables	(880)	3,157

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

15. Employee benefits expenses

	2023 RMB'000	2022 RMB'000
Employee benefits expense (including Directors' emoluments):		
Salaries, bonuses and allowances (note)	2,256,455	1,130,069
Equity-settled share-based payments	40,631	40,631
Retirement benefit scheme contributions (note)	177,358	66,533
	2,474,444	1,237,233

Note: Salaries, bonus and allowances and retirement benefit scheme contribution increased significantly for the current reporting period as the Group has changed the form of employment of certain labourers, who were originally hired by external labour outsourcing service providers, to formal employees of the Group.

15. Employee benefits expenses (Continued)

Five highest paid individuals

The five highest paid individuals in the Group during the year included two (2022: two) directors of the Company whose emoluments are reflected in the analysis presented in note 16(a). The emoluments of the remaining three (2022: three) individuals are set out below:

	2023 RMB'000	2022 RMB'000
Basic salaries and allowances	11,383	8,973
Equity-settled share-based payments	16,252	16,252
Retirement benefit scheme contributions	145	128
	27,780	25,353

Five highest paid individuals

The emoluments fell with the following band:

	2023 Number of headcount	2022 Number of headcount
RMB3,500,001 to RMB4,000,000	–	1
RMB4,500,001 to RMB5,000,000	1	–
RMB9,000,001 to RMB9,500,000	–	2
RMB9,500,001 to RMB10,000,000	2	–
RMB12,000,001 to RMB12,500,000	–	1
RMB13,000,001 to RMB13,500,000	1	–
RMB22,000,001 to RMB22,500,000	–	1
RMB23,500,001 to RMB24,000,000	1	–
	5	5

During the year, no emoluments were paid by the Group to any of the Directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

16. Benefits and interests of directors and supervisors

(a) Directors' and supervisors' emoluments

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking							Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	
	Fees RMB'000	Salaries and allowances RMB'000	Discretionary bonus RMB'000	(Note i) Estimated money value of other benefits RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Remunerations paid or receivable in respect of accepting office as director RMB'000	Housing allowance RMB'000	RMB'000	Total RMB'000
Chairwoman									
Ms. Liu Jingyu (劉靜瑜女士)	–	2,606	4,753	16,252	46	–	–	–	23,657
Executive directors									
Mr. Dai Ying (戴穎先生)	–	934	2,764	6,095	46	–	–	–	9,839
Non-Executive directors									
Mr. Zhang Guoqing (張國慶先生)	–	–	–	–	–	–	–	–	–
Mr. Zhou Sheng (周勝先生)	–	–	–	–	–	–	–	–	–
Mr. Li Yunxiang (李雲祥先生)	–	–	–	–	–	–	–	–	–
Independent non- executive directors									
Mr. Wu Guangquan (吳光權先生) (note(ii))	240	–	–	–	–	–	–	–	240
Mr. Wang Susheng (王蘇生先生) (note(ii))	240	–	–	–	–	–	–	–	240
Mr. Chen Zetong (陳澤桐先生) (note(ii))	240	–	–	–	–	–	–	–	240
Supervisors									
Mr. Jiang Jinhua (姜金華先生)	–	–	–	–	–	–	–	–	–
Ms. Cheng Yan (程雁女士)	–	–	–	–	–	–	–	–	–
Ms. Nian Mingzhu (念明珠女士)	–	164	14	–	26	–	–	–	204
Total for year ended 31 December 2023	720	3,704	7,531	22,347	118	–	–	–	34,420

16. Benefits and interests of directors and supervisors (Continued)

(a) Directors' and supervisors' emoluments (Continued)

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking							Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	
	Fees RMB'000	Salaries and allowances RMB'000	Discretionary bonus RMB'000	(Note i) Estimated money value of other benefits RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Remunerations paid or receivable in respect of accepting office as director RMB'000	Housing allowance RMB'000		Total RMB'000
Chairwoman									
Ms. Liu Jingyu (劉靜瑜女士)	–	2,590	3,267	16,252	43	–	–	–	22,152
Excecutive directors									
Mr. Dai Ying (戴穎先生)	–	932	2,334	6,095	43	–	–	–	9,404
Non-Executive directors									
Mr. Zhang Guoqing (張國慶先生)	–	–	–	–	–	–	–	–	–
Mr. Zhou Sheng (周勝先生)	–	–	–	–	–	–	–	–	–
Mr. Li Yunxiang (李雲祥先生)	–	–	–	–	–	–	–	–	–
Independent non-executive directors									
Mr. Wu Guangquan (吳光權先生) (note (ii))	60	–	–	–	–	–	–	–	60
Mr. Wang Susheng (王蘇生先生) (note (ii))	60	–	–	–	–	–	–	–	60
Mr. Chen Zetong (陳澤桐先生) (note (ii))	60	–	–	–	–	–	–	–	60
Supervisors									
Mr. Jiang Jinhua (姜金華先生)	–	–	–	–	–	–	–	–	–
Ms. Cheng Yan (程雁女士)	–	–	–	–	–	–	–	–	–
Ms. Nian Mingzhu (念明珠女士)	–	198	8	–	26	–	–	–	232
Total for year ended 31 December 2022	180	3,720	5,609	22,347	112	–	–	–	31,968

Notes:

(i) Estimated money values of other benefits include equity-settled share-based payments.

(ii) Mr. Wu Guangquan, Mr. Wang Susheng and Mr. Chen Zetong were appointed as independent non-executive directors on 6 October 2022.

Neither the chief executive officer nor any of the directors waived any emoluments during the year 2023 and 2022.

16. Benefits and interests of directors and supervisors (Continued)

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements or contracts entered into by the Company in which a director of the Company and the director's connected party had a material interest (whether directly or indirectly) came into effect at the end of the year or at any time during the year.

17. Dividends

No dividend has been paid or proposed during the year (2022: Nil).

18. Earnings per share

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

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company of approximately RMB294,377,000 (2022: RMB691,626,000), and the weighted average number of ordinary shares of approximately 1,772,302,000 (2022: 1,569,094,000) in issue during the year.

(b) Diluted earnings per share

No diluted earnings per share was presented for the years ended 31 December 2023 and 2022 as the Company did not have any dilutive potential ordinary shares.

19. Property, plant and equipment

	Building RMB'000	Machinery RMB'000	Computer equipment RMB'000	Furniture and office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvement RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2022:								
Cost	3,312,467	3,238,975	135,064	132,159	6,690	84,240	8,771,908	15,681,503
Accumulated depreciation and impairment	(153,195)	(249,669)	(41,802)	(32,836)	(2,787)	(28,675)	–	(508,964)
Net carrying amount	3,159,272	2,989,306	93,262	99,323	3,903	55,565	8,771,908	15,172,539
At 1 January 2022, net of accumulated depreciation and impairment	3,159,272	2,989,306	93,262	99,323	3,903	55,565	8,771,908	15,172,539
Additions	89,109	336,982	207,352	219,740	5,715	–	30,283,366	31,142,264
Disposals	–	312	–	(43)	–	–	(3,153)	(2,884)
Transfer	6,493,690	2,241,381	165,829	31,056	–	–	(8,945,871)	(13,915)
Depreciation provided during the year	(113,406)	(521,346)	(72,990)	(48,339)	(1,715)	(12,576)	–	(770,372)
At 31 December 2022, net of accumulated depreciation and impairment	9,628,665	5,046,635	393,453	301,737	7,903	42,989	30,106,250	45,527,632

19. Property, plant and equipment (Continued)

	Building RMB'000	Machinery RMB'000	Computer equipment RMB'000	Furniture and office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvement RMB'000	Construction in progress RMB'000	Total RMB'000
At 31 December 2022 and at 1 January 2023:								
Cost	9,895,266	5,530,374	508,246	382,682	12,404	84,240	30,106,250	46,519,462
Accumulated depreciation and impairment	(266,601)	(483,739)	(114,793)	(80,945)	(4,501)	(41,251)	–	(991,830)
Net carrying amount	9,628,665	5,046,635	393,453	301,737	7,903	42,989	30,106,250	45,527,632
At 1 January 2023, net of accumulated depreciation and impairment	9,628,665	5,046,635	393,453	301,737	7,903	42,989	30,106,250	45,527,632
Additions	1,374	598,272	64,505	178,639	5,413	2,429	22,927,260	23,777,892
Disposals	(3,995)	(26,168)	(10,868)	(5,979)	(360)	–	(10,584)	(57,954)
Transfer	1,405,055	4,711,300	368,348	207,557	(813)	92,223	(6,811,819)	(28,149)
Depreciation provided during the year	(240,793)	(919,414)	(211,081)	(127,149)	(2,855)	(23,313)	–	(1,524,605)
At 31 December 2023 net of accumulated depreciation and impairment	10,790,306	9,410,625	604,357	554,805	9,288	114,328	46,211,107	67,694,816
At 31 December 2023								
Cost	11,296,220	10,637,980	926,518	762,706	16,521	178,892	46,211,107	70,029,944
Accumulated depreciation and impairment	(505,914)	(1,227,355)	(322,161)	(207,901)	(7,233)	(64,564)	–	(2,335,128)
Net carrying amount	10,790,306	9,410,625	604,357	554,805	9,288	114,328	46,211,107	67,694,816

The Group was still in the process of obtaining property ownership certificates for certain buildings with a net carrying amount of RMB4,607,772,000 (2022: RMB2,546,910,000).

Property, plant and equipment with carrying amounts of approximately RMB3,346,163,000 (2022: RMB975,977,000) was pledged as security for the Group's bank borrowings.

During the year ended 31 December 2023, the government subsidies related to assets of approximately RMB52,914,000 (2022: RMB44,765,000) were recognised and deducted from cost of related assets.

20. Right-of-use assets

	Leasehold lands RMB'000	Lease properties RMB'000	Total RMB'000
At 1 January 2022	612,706	30,668	643,374
Additions	920,862	114,304	1,035,166
Depreciation	(28,602)	(23,708)	(52,310)
Early termination of leases	–	(8,053)	(8,053)
At 31 December 2022 and 1 January 2023	1,504,966	113,211	1,618,177
Additions	246,389	5,487	251,876
Depreciation	(39,207)	(26,012)	(65,219)
Early termination of leases	–	(18,506)	(18,506)
At 31 December 2023	1,712,148	74,180	1,786,328

	2023 RMB'000	2022 RMB'000
Depreciation expenses on right-of-use assets	65,219	52,310
Interest expense on lease liabilities (included in finance costs)	4,691	4,691
Expenses relating to short-term lease (included in cost of sales, selling expenses and administrative expenses)	109,723	83,311
Expenses relating to leases of low value assets (included in selling expenses and administrative expenses)	46,459	1,665

Details of total cash outflow for leases is set out in note 44(b).

During the year ended 2023, the Group leases various factories and office premise for its operations. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

Lease contracts are entered into for fixed term of 3 year to 5 years. No extension options and termination options are included in the lease contracts.

Right-of-use assets with carrying amounts of approximately RMB739,773,000 (2022: RMB455,500,000) was pledged as security for the Group's bank borrowings.

21. Intangible assets

	Computer software RMB'000	Trademarks RMB'000	Patents RMB'000	Development costs RMB'000	Others RMB'000	Total RMB'000
Cost						
At 1 January 2022	75,854	4	1,360,495	198,099	2,250	1,636,702
Additions – internal development	51,290	–	–	369,753	932	421,975
Transfer	12,771	–	89,353	(89,353)	1,144	13,915
At 31 December 2022 and 1 January 2023	139,915	4	1,449,848	478,499	4,326	2,072,592
Additions – internal development	44,019	–	–	72,722	332	117,073
Transfer	27,726	–	208,445	(208,445)	423	28,149
At 31 December 2023	211,660	4	1,658,293	342,776	5,081	2,217,814
Accumulated amortisation and impairment						
At 1 January 2022	9,848	–	551,659	–	188	561,695
Charge for the year	12,474	1	124,527	–	618	137,620
At 31 December 2022 and 1 January 2023	22,322	1	676,186	–	806	699,315
Charge for the year	24,873	1	134,524	–	1,002	160,400
At 31 December 2023	47,195	2	810,710	–	1,808	859,715
Carrying amount						
At 31 December 2022	117,593	3	773,662	478,499	3,520	1,373,277
At 31 December 2023	164,465	2	847,583	342,776	3,273	1,358,099

21. Intangible assets (Continued)

Computer software was purchased by the Group and has finite useful life. The computer software is stated at cost less accumulated amortisation and any impairment losses and is amortised on the straight-line basis over its estimated useful life of not more than 10 years.

Trademarks were acquired in a business combination and recognised at fair values at the acquisition date. Trademarks have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated on a straight-line basis over their estimated useful life of 10 years.

Patents have finite useful lives and are amortised on a straight-line basis over its estimated useful life of 10 years.

Development costs are internally generated. The development costs mainly represent staff costs, materials and utilities used in development of technologies for battery production. The estimated useful lives of these projects will be determined after completion based on the period of time to generate probable economic benefits. Development costs are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding 10 years. The development costs of relevant technology would be transferred to patents if they can be successfully patented.

The average remaining amortisation period (in years) for the Group's intangible assets at end of reporting periods are:

	2023 (years)	2022 (years)
Computer software	6.7	6.9
Trademarks	1.9	2.9
Patents	7.9	8.4
Others	3.6	6.4
Development costs	N/A	N/A

Intangible assets not yet available for use (such as development costs) must be tested for impairment annually. At 31 December 2023, Xiamen Company CGU and Jiangsu Company CGU have certain development costs not yet available for use. The recoverable amounts of the CGUs were determined on the basis of their value-in-use using discounted cash flow method. The Group prepares Xiamen Company CGU and Jiangsu Company CGU cash flow forecasts derived from the most recent financial budgets approved by the Directors for the period up to year 2028 and with the residual period using growth rate of 0%. 2027 is the year that the Xiamen Company CGU and Jiangsu Company CGU expected to attain their effective capacity and stabilized operating efficiency.

The Group has engaged independent external valuers to assist management to estimate the recoverable amounts of CGUs.

21. Intangible assets (Continued)

The Xiamen Company CGU recoverable amount calculations have used the following key assumptions:

Key assumptions	2023	2022
Sales volume – Attainment of long-term annual sales volume	Gradually attaining 17.3 GWh in FY2028	Gradually attaining 17.5 GWh in FY2027
Discount rate (post-tax) - Reflect current market assessment of time value of money and the risks specific to the CGU	10.3%	11.7%

The following unfavourable change in key assumptions (individually and while holding others unchanged) would remove the headroom such that the carrying amount of CGU would exceed the recoverable amounts:

Change in key assumptions	2023	2022
Sales volume	Expected annual sales volume reduced by 0.7 GWh for all years across the forecast period	Expected annual sales volume reduced by 1.5 GWh for all years across the forecast period
Discount rate (post-tax)	Increase of discount rate of 0.5%	Increase of discount rate of 1.1%

Management believes that any reasonably possible change in the key assumptions on which the Xiamen Company CGU's recoverable amount is based would not cause the CGU's carrying amount to exceed its recoverable amount. The headroom, expressed as a percentage of the CGU's recoverable amount is approximately 4% (2022: 11%) as at end of reporting period.

The Jiangsu Company CGU recoverable amount calculations have used the following key assumptions:

Key assumptions	2023	2022
Sales volume – Attainment of long-term annual sales volume	Gradually attaining 34.1 GWh in FY2028	Gradually attaining 38.2 GWh in FY2027
Discount rate (post-tax) - Reflect current market assessment of time value of money and the risks specific to the CGU	10.3%	10.9%

21. Intangible assets (Continued)

The following unfavourable change in key assumptions (individually and while holding others unchanged) would remove the headroom such that the carrying amount of CGU would exceed the recoverable amounts:

Change in key assumptions	2023	2022
Sales volume	Expected annual sales volume reduced by 1.0 GWh for all years across the forecast period	Expected annual sales volume reduced by 2.3 GWh for all years across the forecast period
Discount rate (post-tax)	Increase of discount rate of 0.3%	Increase of discount rate of 1%

Management believes that any reasonably possible change in the key assumptions on which the Jiangsu Company CGU's recoverable amount is based would not cause the CGU's carrying amount to exceed its recoverable amount. The headroom, expressed as a percentage of the CGU's recoverable amount is approximately 3% (2022: 9%) as at end of reporting period.

22. Investments in subsidiaries

The following table shows information on the subsidiaries that have non-controlling interests ("**NCI**") material to the Group. The summarised financial information represents amounts before inter-company eliminations.

Name	Chengdu Company	
	2023	2022
Principal place of business/country of incorporation	PRC	PRC
% of ownership interests/voting rights held by NCI	49%/49%	49%/49%
	RMB'000	RMB'000
Non-current assets	7,521,625	6,035,793
Current assets	4,569,686	2,465,548
Non-current liabilities	(3,819,100)	(3,821,794)
Current liabilities	(4,128,140)	(1,634,779)
Net assets	4,144,071	3,044,768
Accumulated NCI	2,030,595	1,416,967

22. Investments in subsidiaries (Continued)

	2023 RMB'000	2022 RMB'000
Revenue	3,955,576	1,344,170
Cost of sales	(3,185,504)	(1,306,109)
Gross profit	770,072	38,061
Profit/(loss) before tax	131,284	(26,707)
Profit/(loss) for the year	152,302	(4,350)
Total comprehensive income/(loss)	152,302	(4,350)
Profit/(loss) allocated to NCI	74,628	(2,132)
Net cash (used in)/generated from operating activities	(56,029)	302,841
Net cash used in investing activities	(1,283,820)	(5,456,940)
Net cash generated from financing activities	1,244,206	5,779,890
Effect of foreign exchange rate changes	(305)	–
Net (decrease)/increase in cash and cash equivalents	(95,948)	625,791

Name	Wuhan Company	
	2023	2022
Principal place of business/country of incorporation	PRC	PRC
% of ownership interests/voting rights held by NCI	49%/49%	49%/49%

	RMB'000	RMB'000
Non-current assets	9,560,776	4,517,707
Current assets	3,937,937	1,859,792
Non-current liabilities	(2,461,077)	(1,628,911)
Current liabilities	(4,752,502)	(1,561,732)
Net assets	6,285,134	3,186,856
Accumulated NCI	2,828,795	1,486,590

22. Investments in subsidiaries (Continued)

	2023 RMB'000	2022 RMB'000
Revenue	3,134,839	1,040,301
Cost of sales	(2,326,641)	(1,011,571)
Gross profit	808,198	28,730
Profit before tax	162,982	38,116
Profit for the year	143,277	36,747
Total comprehensive income	143,277	36,747
Profit allocated to NCI	70,206	18,006
Net cash (used in)/generated from operating activities	(165,259)	518,063
Net cash used in investing activities	(4,121,258)	(4,444,079)
Net cash generated from financing activities	4,511,113	3,776,992
Effect of foreign exchange rate changes	(202)	–
Net increase/(decrease) in cash and cash equivalents	224,394	(149,024)

Name	Hefei Company	
	2023	2022
Principal place of business/country of incorporation	PRC	PRC
% of ownership interests/voting rights held by NCI	80%/49%	80%/49%

	RMB'000	RMB'000
At 31 December:		
Non-current assets	6,780,345	4,740,580
Current assets	2,277,152	1,246,511
Non-current liabilities	(3,046,730)	(1,996,185)
Current liabilities	(2,039,181)	(1,084,661)
Net assets	3,971,586	2,906,245
Accumulated NCI	3,007,270	1,988,996

22. Investments in subsidiaries (Continued)

	2023 RMB'000	2022 RMB'000
Year ended 31 December:		
Revenue	2,509,323	117,550
Cost of sales	(2,360,848)	(105,261)
Gross profit	148,475	12,289
Loss before tax	(217,697)	(21,361)
Loss for the year	(164,658)	(13,190)
Total comprehensive expense	(164,658)	(13,190)
Loss allocated to NCI	(131,727)	(10,552)
Net cash used in operating activities	(172,733)	(11,874)
Net cash used in investing activities	(1,952,242)	(4,664,967)
Net cash generated from financing activities	2,167,011	4,597,497
Effect of foreign exchange rate changes	3,338	7,667
Net increase/(decrease) in cash and cash equivalents	45,374	(71,677)

Name	Fujian Company	
	2023	2022
Principal place of business/country of incorporation	PRC	PRC
% of ownership interests/voting rights held by NCI	49%/49%	49%/49%
	RMB'000	RMB'000
At 31 December:		
Non-current assets	2,405,988	1,532,504
Current assets	3,228,382	2,213,459
Non-current liabilities	(968,970)	(298,565)
Current liabilities	(2,091,425)	(1,304,976)
Net assets	2,573,975	2,142,422
Accumulated NCI	1,261,248	1,176,697

22. Investments in subsidiaries (Continued)

	2023 RMB'000	2022 RMB'000
Year ended 31 December:		
Revenue	1,186,561	8,559
Cost of sales	(539,870)	(7,232)
Gross profit	646,691	1,327
Profit before tax	86,208	1,896
Profit for the year	72,553	1,422
Total comprehensive income	72,553	1,422
Profit allocated to NCI	35,551	697
Net cash (used in)/generated from operating activities	(915,413)	93,572
Net cash used in investing activities	(1,286,859)	(1,477,329)
Net cash generated from financing activities	1,118,337	2,519,244
Effect of foreign exchange rate changes	205	–
Net (decrease)/increase in cash and cash equivalents	(1,083,730)	1,135,487

Name	Jiangmen Company	
	2023	2022
Principal place of business/country of incorporation	PRC	PRC
% of ownership interests/voting rights held by NCI	36.3%/36.3%	49%/49%
	RMB'000	RMB'000
At 31 December:		
Non-current assets	4,876,210	2,185,970
Current assets	2,182,531	1,169,404
Non-current liabilities	(1,019,550)	(267,836)
Current liabilities	(2,613,443)	(928,978)
Net assets	3,425,748	2,158,560
Accumulated NCI	1,278,776	682,844

22. Investments in subsidiaries (Continued)

	2023 RMB'000	2022 RMB'000
Year ended 31 December:		
Revenue	1,880,934	–
Cost of sales	(1,367,003)	–
Gross profit	513,931	–
Profit/(loss) before tax	252,857	(8,576)
Profit/(loss) for the year	216,187	(6,440)
Total comprehensive profit/(loss)	216,187	(6,440)
Profit/(loss) allocated to NCI	105,932	(3,156)
Net cash generated from operating activities	316,870	331,367
Net cash used in investing activities	(3,006,738)	(1,859,527)
Net cash generated from financing activities	2,272,692	2,428,836
Effect of foreign exchange rate changes	(564)	–
Net (decrease)/increase in cash and cash equivalents	(417,740)	900,676

Name	Sichuan Company	
	2023	2022
Principal place of business/country of incorporation	PRC	PRC
% of ownership interests/voting rights held by NCI	49%/49%	49%/49%

	RMB'000	RMB'000
At 31 December:		
Non-current assets	3,218,898	1,152,955
Current assets	1,057,963	244,314
Non-current liabilities	(244,713)	(169)
Current liabilities	(1,236,217)	(391,045)
Net assets	2,795,931	1,006,055
Accumulated NCI	1,333,206	444,047

22. Investments in subsidiaries (Continued)

	2023 RMB'000	2022 RMB'000
Year ended 31 December:		
Revenue	669,618	–
Cost of sales	(610,856)	–
Gross profit	58,762	–
Loss before tax	(36,591)	(2,288)
Loss for the year	(22,124)	(1,945)
Total comprehensive expense	(22,124)	(1,945)
Loss allocated to NCI	(10,841)	(953)
Net cash generated from operating activities	108,454	66,378
Net cash used in investing activities	(2,256,447)	(1,051,400)
Net cash generated from financing activities	2,346,798	1,007,827
Effect of foreign exchange rate changes	(53)	–
Net increase in cash and cash equivalents	198,752	22,805

23. Investments in associates

	2023 RMB'000	2022 RMB'000
Unlisted investments:		
Share of net assets	16,194	16,351

23. Investments in associates (Continued)

Details of the Group's associates are as follows:

Name	Place of incorporation and operations	Particulars of paid up/ registered capital	As at 31 December	Ownership interest attributable to the Group	Voting power	Profit sharing	Principal activities
凱博(海南)私募基金管理有限公司 Kaibo (Hainan) Private Equity Fund Management Co., Ltd.*	The PRC	Registered capital of RMB10,000,000	2022 2023	30% 30%	30% 30%	30% 30%	Private equity fund management
江蘇動力及儲能電池創新中心有限公司 Jiangsu Power and Energy Storage Battery Innovation Center Co., Ltd.*	The PRC	Registered capital of RMB30,000,000	2022 2023	48% 48%	48% 48%	48% 48%	Engineering and technical research and experimental development
四川甘眉新航新能源資源有限責任公司 Sichuan Ganmei Xinhang New Energy Resources Co., Ltd.*	The PRC	Registered capital of RMB800,000,000	2022 2023	40% 40%	40% 40%	40% 40%	Research and development of emerging energy technology and Mineral washing and processing and the exploration of mineral resources

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

All of the above associates are accounted for using the equity method in the consolidated financial statements.

23. Investments in associates (Continued)

The following table shows, in aggregate, the Group's share of the amounts of all individually immaterial associates that are accounted for using the equity method.

	2023 RMB'000	2022 RMB'000
Carrying amounts of interests	16,194	16,351

	2023 RMB'000	2022 RMB'000
Loss for the year, net	(157)	(815)
Other comprehensive income	–	–
Total comprehensive income	(157)	(815)

The bank and cash balances of the Group's associates in the PRC denominated in RMB amounted to RMB28,288,000 (2022: RMB29,957,000). Conversion of the mentioned balances from RMB into foreign currencies and from foreign currencies into RMB is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

24. Inventories

	2023 RMB'000	2022 RMB'000
Raw materials	1,062,950	3,612,561
Work in progress	3,335,106	3,210,146
Finished goods	2,727,712	4,999,240
	7,125,768	11,821,947

25. Trade and bills receivables

	2023 RMB'000	2022 RMB'000
Trade receivables		
Receivables from third parties	5,084,887	3,609,901
Due from related parties (note 27)	74,964	330
Allowance for doubtful debts	(88,639)	(27,876)
	5,071,212	3,582,355
Bills receivables	1,758,094	1,753,102
	6,829,306	5,335,457

The credit terms, being granted to independent third parties, are generally within 90 days. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

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

	2023 RMB'000	2022 RMB'000
0 to 180 days	4,808,770	3,518,891
181 to 365 days	70,292	44,688
1 – 2 years	191,698	18,776
Over 2 years	452	–
	5,071,212	3,582,355

Reconciliation of allowance for trade receivables:

	2023 RMB'000	2022 RMB'000
At 1 January	27,876	37,191
Allowance/(reversal of allowance) for the year, net	60,763	(9,315)
At 31 December	88,639	27,876

25. Trade and bills receivables (Continued)

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

Bills receivables represent short-term bank acceptance bills receivables that entitle the Group to receive the full face amount from the banks at maturity, which generally ranges from 3 to 12 months from the date of issuance. Historically, the Group had experienced no credit losses on bills receivables. The Group from time to time endorses bills acceptance bills to suppliers in order to settle trade payables and discounts bank acceptance bills to banks in order to obtain working capital.

The Group endorsed certain bank acceptance bills to suppliers for settling trade payables of the same amount on a full recourse basis. The Group has derecognised these bills receivable and payables to suppliers in their entirety. These derecognised bank acceptance bills had a maturity date of less than 12 months from the end of the reporting period. In the opinion of the directors, the Group has transferred substantially all the risks and rewards of ownership of these bills and has discharged its obligation of the payables to its suppliers, and the Group has limited exposure in respect of the settlement obligation of these bills receivables under the relevant PRC rules and regulations, should the issuing banks fail to settle the bills on maturity date. The Group considered the issuing banks of these bills are of good credit quality and non-settlement of these bills by the issuing banks on maturity is remote. The Group's maximum exposure to loss and undiscounted cash outflow, which is same as the amount payable by the Group to suppliers in respect of the endorsed bills, should the issuing banks fail to settle the bills on maturity date, is amounted to RMB1,485,431,000 (2022: RMB2,594,909,000).

The Group discounted certain bank acceptance bills to banks for obtaining working capital and has derecognised these bank acceptance bills in their entirety. These discounted bank acceptance bills had a maturity date of less than 12 months from the end of the Reporting Period. In the opinion of the Directors, the Group has transferred substantially all the risks and rewards of ownership of these bills and the Group has minimum exposure in respect of the settlement obligation of these bills under the commercial practice in the PRC, should the issuing banks fail to settle the bills on maturity date. The Group considered the issuing banks of these bills are of good credit quality and chance of non-settlement of these bills by the issuing banks on maturity date is remote. The Group's maximum exposure to loss and undiscounted cash outflow, should the issuing banks fail to settle the bills on maturity date, is amounted to RMB6,784,377,000 (2022: RMB940,033,000).

Bills receivable of RMB658,426,000 (2022: RMB108,810,000) were discounted to banks or other financial institutions with recourse, where substantially the risks and rewards of ownership had not been transferred respectively, hence these discounted bills were not derecognised.

The Group entered into a trade receivable factoring arrangement and transferred certain trade receivables of RMB1,700,000,000 (2022: RMBNil) to a bank without recourse. In the opinion of the Directors, the Group has transferred substantially all the risks and rewards of ownership of these receivables and the Group has minimum exposure in respect of the settlement obligation of these receivables under the commercial practice in the PRC. Thus, the Group derecognised these receivables subsequent to the transfer and the funds received.

25. Trade and bills receivables (Continued)

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

	2023 RMB'000	2022 RMB'000
RMB	6,787,864	5,306,777
USD	30,011	25,490
EUR	3,374	3,190
HKD	8,057	–
	6,829,306	5,335,457

26. Prepayments, deposits and other receivables

	2023 RMB'000	2022 RMB'000
Deposits paid for acquisition of property, plant and equipment	1,255,202	3,312,789
Prepayments	1,321,990	1,606,139
Other tax receivables	4,725,566	4,471,178
Government grants and subsidies receivable	2,390,000	14,250
Other deposits	54,800	54,398
Other receivables	43,679	3,903
	9,791,237	9,462,657
Analysed as:		
Non-current assets	1,255,202	3,312,789
Current assets	8,536,035	6,149,868
	9,791,237	9,462,657

26. Prepayments, deposits and other receivables (Continued)

Reconciliation of allowances for prepayments, deposits and other receivables:

	2023 RMB'000	2022 RMB'000
At 1 January	7,836	4,679
(Reversal of allowance)/Allowance for the year	(880)	3,157
At 31 December	6,956	7,836

The carrying amounts of the Group's prepayments, deposits and other receivables are denominated in the following currencies:

	2023 RMB'000	2022 RMB'000
RMB	9,426,998	9,094,608
USD	–	1,769
EUR	732	4,638
HKD	736	754
JPY	362,771	360,888
	9,791,237	9,462,657

27. Balances with Related Parties

	Note	2023 RMB'000	2022 RMB'000
Trade receivables			
– 中航鋰電(洛陽)有限公司 China Lithium Battery Technology (Luoyang) Co., Ltd.* ("**Luoyang Company**")	*25*	74,964	330
Amounts due from related parties			
Trade-related:			
– Luoyang Company	*(iii)*	232,568	951,956
Non-trade related:			
– 常州華科工程建設有限公司 Changzhou Huake Engineering Construction Co., Ltd.* ("**Huake Engineering**")		17	314
		232,585	952,270
Allowance for doubtful debts		–	(116)
		232,585	952,154
Trade payables			
– Luoyang Company	*30*	230	646,562
Amounts due to related parties			
Non-trade related:			
– Jiangsu Chengdong Construction#		425,560	469,356
– Luoyang Company		–	2,156
– Huake Engineering		140	140
		425,700	471,652
Total amounts due to related parties		425,700	471,652
Less: Amounts due to related parties – current portion		(425,700)	(471,652)
Total amount due to related parties – non-current portion		–	–

* The official names of these entities are in Chinese. The English translation of the names are for identification purpose only.

Jiangsu Chengdong Construction represents 江蘇城東建設工程有限公司

27. Balances with Related Parties (Continued)

Notes:

(i) The trade-related outstanding balances with related parties are unsecured, non-interest bearing and repayable within credit term of 180 days.

(ii) The non-trade related balances with related parties are unsecured, non-interest bearing and repayable on demand.

(iii) The balance represents the prepayment for the purchase of goods in accordance with the contractual term.

28. Other Financial Assets

(a) Financial assets at FVTPL

	2023 RMB'000	2022 RMB'000
Investment in a listed equity security, at fair value (i)	38,750	75,662
Investment in an unlisted debt instrument, at fair value (ii)	149,414	149,263
	188,164	224,925
Analysed as:		
Current assets	38,750	75,662
Non-current assets	149,414	149,263
	188,164	224,925

(i) The Group invested RMB100 million in a company incorporated in the PRC and listed on the Shenzhen Stock Exchange and owned approximately 0.5% equity interests in the company. The fair value of the investment is based on current bid price.

(ii) The Group invested RMB149.5 million in a limited liability partnership ("**LLP**") set up in the PRC and being a limited partner. The investment period for LLP is six years and can be extended by one year if all partners agree. Such investment is a debt instrument, and the fair value of such investment is based on the net assets value of LLP.

The carrying amount of the above financial assets are mandatorily measured at FVTPL in accordance with IFRS 9.

The investment in a listed equity security offers the Group's the opportunity for return through dividend income and fair value gains. It has no fixed maturity or coupon rate.

The Group's financial assets at FVTPL are denominated in RMB.

28. Other Financial Assets (Continued)

(b) Financial assets at FVTOCI

	2023 RMB'000	2022 RMB'000
Certificate of deposit (i)	104,926	101,428
Investment in a listed equity security, at fair value (ii)	193,060	234,590
Investment in an unlisted equity security, at fair value (iii)	296,793	286,712
	594,779	622,730
Analysed as:		
Current assets	104,926	101,428
Non-current assets	489,853	521,302
	594,779	622,730

(i) The Group invested in "3-year certificate of deposit" offered by bank in the PRC with the terms that the Group could not withdraw the deposits in advance but could sell them to others. The annual interest rates are fixed in the range of 3.15% p.a. to 3.79% p.a. (2022: 3.15% p.a. to 3.79% p.a.). As the Group managed the above financial product with the objective of both the collection of contractual cash flows and sale, it was recognised as financial assets at FVTOCI in the consolidated financial statements.

(ii) The Group invested approximately HKD392.5 million in a company incorporated in the PRC and dually listed on the main board of the Hong Kong Stock Exchange and the Shenzhen Stock Exchange and owned approximately 0.3% equity interests in the company. Such investment is not held for trading and the Group has irrevocably elected at initial recognition to recognise in this category. It is a strategic investment, and the Group considers this classification to be more relevant.

(iii) The Group invested HKD360 million in a limited partnership fund ("**LPF**") set up in Hong Kong. The investment period for the LPF is indefinite. Such investment is not held for trading and the Group has irrevocably elected at initial recognition to recognise in this category. The fair value of such investment is based on the net assets value of the LPF.

28. Other Financial Assets (Continued)

(b) Financial assets at FVTOCI (Continued)

The carrying amounts of the Group's financial assets at FVTOCI are denominated in the following currencies:

	2023 RMB'000	2022 RMB'000
RMB	104,926	101,428
HKD	489,853	521,302
	594,779	622,730

29. Pledged Bank Deposits, Restricted Bank Balances and Bank and Cash Balances

(a) Pledged bank deposits

The Group's pledged bank deposits represented deposits pledged to banks to secure banking facilities granted to the Group for issuance of bank acceptance bills, letter of guarantee and letter of credit. The amounts were denominated in RMB and EUR.

Conversion of the above balances from RMB into foreign currencies and from foreign currencies into RMB is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

(b) Restricted bank balances

The Group's restricted bank balances represented bank balances restricted for construction of lithium-ion battery manufacturing plant. The amount was denominated in RMB.

Conversion of the above balances from RMB into foreign currencies and from foreign currencies into RMB is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

29. Pledged Bank Deposits, Restricted Bank Balances and Bank and Cash Balances (Continued)

(c) Bank and cash balances

Bank and cash balances of the Group and denominated in the following currencies:

	2023 RMB'000	2022 RMB'000
RMB	6,724,609	9,313,895
USD	350,036	106,797
HKD	60,944	1,445,687
EUR	698,373	65,435
	7,833,962	10,931,814

Conversion of the above balances from RMB into foreign currencies and from foreign currencies into RMB is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

30. Trade and Bills Payables

	2023 RMB'000	2022 RMB'000
Trade payables		
– Payables to third parties	8,233,408	7,656,059
– Due to related parties (note 27)	230	646,562
Bills payables	11,725,221	13,344,141
	19,958,859	21,646,762

Bills payables were secured by bills receivables of RMB295,713,000 (2022: RMB757,722,000) and pledged bank deposits of RMB938,539,000 (2022: RMB1,292,602,000) (note 29(a)).

30. Trade and Bills Payables (Continued)

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

	2023 RMB'000	2022 RMB'000
0 to 180 days	8,215,702	8,297,125
181 – 365 days	17,928	4,939
1 – 2 years	8	11
Over 2 years	–	546
	8,233,638	8,302,621

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

	2023 RMB'000	2022 RMB'000
RMB	19,955,742	21,642,493
EUR	3,110	–
USD	7	4,269
	19,958,859	21,646,762

31. Accruals and Other Payables

	2023 RMB'000	2022 RMB'000
Deposits received	391,781	380,581
Accrued salaries	263,953	279,685
Accrued expenses	302,905	359,096
Funds advanced from government related entities	11,946	1,269,760
Payable for property, plant and equipment	6,410,695	4,697,186
Other tax payables	56,793	43,436
Other payables	75,630	60,465
	7,513,703	7,090,209

31. Accruals and Other Payables (Continued)

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

	2023 RMB'000	2022 RMB'000
RMB	7,471,461	7,036,779
JPY	41,938	52,740
SGD	29	–
EUR	84	690
HKD	191	–
	7,513,703	7,090,209

32. Contract Liabilities

Contract liabilities are mainly advance payments from customers. The amounts are expected to be recognised as revenue within 1 year from the end of the reporting period.

	2023 RMB'000	2022 RMB'000
Billings in advance of performance obligation		
– arising from sales of products	616,955	490,532

Movements in contract liabilities:

	2023 RMB'000	2022 RMB'000
Balance at beginning of year	490,532	106,918
Increase in contract liabilities as a result of billings in advance of battery sales	616,955	490,532
Decrease in contract liabilities as a result of recognising revenue during the year	(490,532)	(106,918)
Balance at end of year	616,955	490,532

33. Deferred Income

	2023 RMB'000	2022 RMB'000
Government grants	192,846	679,250
Analysed as:		
Non-current liabilities	192,846	679,250

Government grants received for which related activities/expenditure have not yet been undertaken/incurred are included in deferred income in the consolidated statement of financial position.

Government grants related to assets are deducted from cost of related non-current assets (note 19) and are recognised in profit or loss over the life of the depreciable assets as a reduced depreciation expense.

34. Lease Liabilities

	Minimum lease payments		Present value of minimum lease payments	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Within one year	20,539	28,881	17,036	23,969
In the second to fifth years, inclusive	73,095	103,471	65,765	92,448
	93,634	132,352	82,801	116,417
Less: Future finance charges	(10,833)	(15,935)	N/A	N/A
Present value of lease obligations	82,801	116,417	82,801	116,417
Less: Amount due for settlement within 12 months (shown under current liabilities)			(17,036)	(23,969)
Amount due for settlement after 12 months			65,765	92,448

The weighted average incremental borrowing rate applied to lease liabilities is 4.75% (2022: 4.75%).

The Group's lease liabilities are denominated in RMB.

35. Bank Borrowings

	2023 RMB'000	2022 RMB'000
Bank loans	29,170,734	17,707,476

Bank loans are repayable as follows:

	2023 RMB'000	2022 RMB'000
Within one year	8,114,805	2,479,634
More than one year, but not exceeding two years	3,396,200	1,265,720
More than two years, but not more than five years	15,216,960	10,599,004
More than five years	2,442,769	3,363,118
	29,170,734	17,707,476
Less: Amount due for settlement within 12 months (shown under current liabilities)	(8,114,805)	(2,479,634)
Amount due for settlement after 12 months	21,055,929	15,227,842

The carrying amounts of the Group's bank loans are denominated in RMB.

The average interest rates at the end of reporting period are as follows:

	2023	2022
Bank loans	3.77%	4.06%

The following bank loans are arranged at fixed interest rates and expose the Group to fair value interest rate risk. Other borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

	2023 RMB'000	2022 RMB'000
Arranged at fixed interest rates	1,771,688	3,578,534

Bank loans of RMB19,389,102,000 (2022: RMB10,933,530,000) are secured by the Group's property, plant and equipment of RMB3,346,163,000 (2022: RMB975,977,000) (note 19) and right-of-use assets of RMB739,773,000 (2022: RMB455,500,000) (note 20).

At 31 December 2023, the Group had committed and undrawn short-term borrowing facilities of approximately RMB17,683 million and committed and undrawn long-term borrowing facilities of approximately RMB21,933 million.

36. Provisions

	Warranties RMB'000 (note a)	Litigations RMB'000 (note b)	Others RMB'000	Total RMB'000
At 1 January 2022	136,396	–	–	136,396
Additional provisions	382,154	8,640	–	390,794
Provisions used	(18,364)	–	–	(18,364)
At 31 December 2022 and 1 January 2023	500,186	8,640	–	508,826
Reversal	–	(8,400)	–	(8,400)
Additional provisions	515,382	–	23,758	539,140
Provisions used	(45,602)	–	–	(45,602)
At 31 December 2023	969,966	240	23,758	993,964
Analysed as:				
Current liabilities	74,680	240	23,758	98,678
Non-current liabilities	895,286	–	–	895,286
	969,966	240	23,758	993,964

(a) A provision for warranties is recognised when the underlying products are sold. Under the terms of the Group's sales agreements, the Group will rectify any product defects arising within predominantly 3 to 8 years from the date of sale. Provision is therefore made for the best estimate of the expected settlement under these agreements in respect of products sold which are still within the warranty period. The amount of provision takes into account the Group's recent claim experience, historical warranty data and a weighting of all possible outcomes against their associated probabilities.

The Group has accumulated more warranty data due to increased production capacity and sales in recent years. Management has determined that a more accurate estimation of the timing of warranty provision settlement can be made, resulting in the classification of current and non-current portions of the warranty provision.

(b) As further set out in note 45(b), the Group has received civil judgements from the Fuzhou Intermediate Court regarding the Claims related to Patent I, Patent III and Patent IV during November 2022 to February 2023. The civil judgements are the first instance judgement, instead of the final effective judgement. The Group will appeal against the first instance judgements to the Supreme Court and the Group is not required to pay the compensation amounts in the first instance judgement at present. The analysis and views of the Company's external legal advisors indicating that the compensation amounts under the first instance judgements of Patent I, Patent III and Patent IV are excessive. After assessment, the Directors estimate that the probable total compensation amount for the Claims related to Patent I, Patent III and Patent IV, if any, was RMB8,640,000. A provision of the same amount was provided as at 31 December 2022.

The Company received the civil rulings from the Supreme Court in December 2023 regarding the litigations related to Patent I and Patent IV, in which the Supreme Court had revoked the civil indictments from the Fuzhou Intermediate Court and the rulings were final. Accordingly, the Group has reversed the relevant provision of RMB8,400,000 during the year ended 31 December 2023. The remaining provision of RMB240,000 as at 31 December 2023 was related to litigation of Patent III.

37. Deferred Tax

Deferred tax assets and liabilities are netted off when the taxes relate to the same tax authority and where offsetting is legally enforceable. The following amounts, determined after appropriate offsetting, are shown separately on the consolidated statement of financial position:

	2023 RMB'000	2022 RMB'000
Deferred tax assets	568,099	582,380
Deferred tax liabilities	(11,948)	(110,668)
	556,151	471,712

The gross movement on the deferred tax account is as follows:

	2023 RMB'000	2022 RMB'000
Balance at 1 January	471,712	356,380
Credited to profit or loss (note 13)	78,210	100,195
Credited to other comprehensive income	6,229	15,137
Balance at 31 December	556,151	471,712

Deferred tax liabilities (prior to offset)

	Fair value change of financial assets at FVTPL RMB'000	Accelerated depreciation RMB'000	Right-of-use assets RMB'000	Total RMB'000
At 1 January 2022	2,055	4,102	4,605	10,762
(Credit)/charge to profit or loss for the year (note 13)	(2,055)	106,566	12,004	116,515
At 31 December 2022 and 1 January 2023	–	110,668	16,609	127,277
(Credit)/charge to profit or loss for the year (note 13)	–	4,190	(5,290)	(1,100)
At 31 December 2023	–	114,858	11,319	126,177

37. Deferred Tax (Continued)

Deferred tax assets (prior to offset)

	Tax losses RMB'000	Allowance on inventory RMB'000	Allowance on trade receivables RMB'000	Deferred income RMB'000	Warranty provision RMB'000	Lease liabilities RMB'000	Others RMB'000	Total RMB'000
At 1 January 2022	69,426	7,189	6,657	219,094	26,022	4,783	33,971	367,142
(Charge)/credit to profit or loss for the year (note 13)	163,921	41,352	(2,450)	(66,514)	82,358	12,148	(14,105)	216,710
Credit to other comprehensive income for the year	–	–	–	–	–	–	15,137	15,137
At 31 December 2022 and 1 January 2023	233,347	48,541	4,207	152,580	108,380	16,931	35,003	598,989
(Charge)/credit to profit or loss for the year (note 13)	43,463	36,139	9,216	(99,833)	79,147	(5,251)	14,229	77,110
Credit to other comprehensive income for the year	–	–	–	–	–	–	6,229	6,229
At 31 December 2023	276,810	84,680	13,423	52,747	187,527	11,680	55,461	682,328

As at 31 December 2023, deferred tax asset of RMB276,810,000 (2022: RMB233,347,000) was recognised in respect of unused tax losses of RMB1,595,741,000 (2022: RMB1,095,900,000). According to financial forecast, the Directors have exercised their judgement to assess that there will be sufficient future taxable profits available to offset against the unused tax losses. These tax losses are expected to expire after 5 to 10 years from the year of assessment they related to.

No deferred tax asset has been recognised in respect of tax losses amounted to RMB1,065,193,000 (2022: RMB953,387,000) due to the unpredictability of future profit streams.

38. Financial Guarantees

The Company has provided guarantees in respect of bank loans and banking facilities granted to the Company's subsidiaries. Pursuant to the terms of guarantees, if there are any defaults on the loans or similar balances, the Company is responsible to repay the outstanding principal together with accrued interests and other costs owed by the defaulting subsidiaries to the banks. The Company have adopted the accounting policy for financial guarantee contracts as set out in note 4(s).

The maximum potential liability of the Company at 31 December 2023 in respect of the amount of bank loans drawn and other banking facilities utilised by the subsidiaries under the guarantees at that date is approximately RMB885 million (2022: RMB2,890 million).

39. Put Option Liabilities

	RMB'000
At 1 January 2022	941,132
Issue of puttable equity – Note	5,365,847
Changes in fair value during the year	(275,669)
Transferred to equity	(6,031,310)
At 31 December 2022	–

During the year ended 31 December 2021 and 2022, the Company has signed investment agreements containing put options ("**Written Put Option(s)**") with non-controlling shareholders of the Company's subsidiaries, namely Chengdu Company, Wuhan Company, Hefei Company, Fujian Company, Jiangmen Company and Sichuan Company. The Written Put Options give the non-controlling shareholders the right to demand that the Company repurchases the equity interests of the subsidiaries held by the non-controlling shareholders within specified periods at the put option exercise prices.

The Company has presented the Written Put Options as financial liabilities (i.e. put-option liabilities) with a corresponding debit entry to equity under reserve relating to the Written Put Options. According to the investment agreements, if the Company completes a listing of the Company's shares on any domestic or foreign stock exchange, the Written Put Options will lapse automatically and at that time the related liabilities would be transferred to equity of the Company. The Group has no put option liabilities as at 31 December 2022 and 2023.

39. Put Option Liabilities (Continued)

Terms of the Written Put Options are set out below:

Subsidiary	Last day of exercise	Redemption amounts
Chengdu Company	29 May 2028	The higher of (i) value of equity interest held by non-controlling shareholder as determined by qualified professional valuer and (ii) investment principal paid by non-controlling shareholder
Wuhan Company	15 July 2026	To be determined with reference to valuation assessment of relevant government regulating agency
Hefei Company	25 September 2028	The highest of (i) the value of equity interest held by non – controlling shareholder as determined by qualified professional valuer and (ii) investment principal paid by non-controlling shareholder plus 6% p.a. simple interest
Fujian Company	22 February 2027	To be determined with reference to valuation assessment of relevant government regulating agency
Jiangmen Company	23 February 2030	To be determined with reference to valuation assessment of relevant government regulating agency
Sichuan Company	2 April 2028	To be determined with reference to valuation assessment of relevant government regulating agency

Note:

The fair value of redemption amounts are estimated by the Directors using the amounts injected by non-controlling shareholders of the subsidiaries, the internal rate of return ("**IRR**") of respective underlying projects and assuming the non-controlling shareholders will exercise the Written Put Options at end of the respective exercisable period. The Directors are of the opinion that the IRR used in the feasibility study of the underlying projects undertaken by the subsidiaries are the best estimate for the purpose of estimating the future redemption amounts payable by the Company. The IRR are ranged approximately from 8.9% to 13.5%. When measuring the financial liabilities of the Company and the Group for the Written Put Options, the Company's discount rate of approximately 10.3% to 12.5% is used.

40. Share-Based Payments

During the year ended 31 December 2019, the Company approved and adopted a share incentive scheme ("**2019 Share Incentive Scheme**") involving 6 senior management, namely, Ms. Liu Jingyu, Dr. Pan Fangfang, Mr. Dai Ying, Mr. Geng Yan'an, Mr. Wang Xiaoqiang and Mr. He Fan (collectively, the "**Six Senior Management**"). The purposes of the 2019 Share Incentive Scheme are to stimulate the enthusiasm and creativity of the Six Senior Management, enhance their sense of responsibility and mission of achieving the Company's long-term sustainable and healthy development, and ensure the realization of the Company's strategic goals.

The Six Senior Management have formed a limited company, Xiamen Lihang Equity Investment ("**Share Incentive Vehicle**"). A limited partnership company, Lihang Jinzhi ("**Partnership**") was formed, and the Share Incentive Vehicle and a related entity of a government shareholder of the Company ("**Xiamen Industrial Investment**") were required to contribute RMB10 million and RMB1,500 million, respectively, to the Partnership. After that, the Partnership has subscribed for registered capital of the Company.

The Partnership has a prescribed operation period of 10 years, and all investment proceeds of it (after deducting expenses and tax), including all distribution, interest and dividend from the Company will be distributed to the Share Incentive Vehicle and the Xiamen Industrial Investment in the following manner:

(a) Distribute to the Share Incentive Vehicle and the Xiamen Industrial Investment proportionally to their capital contribution of the Partnership until they fully recover their capital contributions to it;

(b) Any investment proceeds in excess of (a) above will be firstly distributed to the Xiamen Industrial Investment in an amount that represent 6% annual return to its capital contribution to the Partnership;

(c) 2 years after all legal and regulatory requirements for freely disposing the Partnership's equity interest in the Company are fulfilled, and after the distributions in (a) and (b) above, the Partnership shall dispose of all its equity interest in the Company. 20% of the net proceeds from the disposal will be distributed to the Share Incentive Vehicle and the remaining 80% will be distributed to the Xiamen Industrial Investment.

The manner of distribution above enables the Six Senior Management to receive possible future cash proceeds, through the Share Incentive Vehicle, that are disproportionate to their share of capital injections into the Partnership and the amount of such future cash proceeds to be received by the Share Incentive Vehicle will depend on many factors including future price of the Company's equity, vesting date and other factors.

The awards of the 2019 Share Incentive Scheme have been accounted for as equity-settled share-based payment. The management estimate the fair value of the awards and the length of the vesting period at grant date. The date of vesting will need to be re-estimated at each reporting date. The share-based payment expense will be recognised over the vesting period with a corresponding credit to equity of the consolidated statement of financial position as a capital contribution from government shareholder of the Company.

40. Share-Based Payments (Continued)

Independent professional valuer was engaged to assist the management to determine the grant date fair value of the awards by binomial tree method with the following assumptions and inputs:

Vesting date initially estimated	30 July 2027
Price per each registered capital of the Company	RMB1.02
Risk free rate	3.69%
Dividend yield	Nil
Estimated volatility of return of the Company's equity	53.72%

The fair value of the awards at grant date is estimated to be approximately RMB163 million. The following table set out the estimated vesting date adopted at each reporting date and the share-based payment expense charged to the consolidated profit and loss of the Group.

	Share-based payment expense RMB'000
For the year ended 31 December 2023	40,631
For the year ended 31 December 2022	40,631

41. Share Capital

		2023		2022	
Registered and paid-in capital:	Note	Number of Shares	Amount RMB'000	Number of Shares	Amount RMB'000
At the beginning of the year		1,772,301,858	1,772,302	1,506,456,558	1,506,457
Issuance of H-shares upon Global Offering	*(i)*	–	–	265,845,300	265,845
At the end of the year		1,772,301,858	1,772,302	1,772,301,858	1,772,302

41. Share Capital (Continued)

Class and structure of shares:	2023 Number of Shares	2023 Nominal value per share RMB	2022 Number of Shares	2022 Nominal value per share RMB
Domestic shares	1,506,456,558	1	1,506,456,558	1
H-shares	265,845,300	1	265,845,300	1
At end of the year	1,772,301,858		1,772,301,858	

Note:

(i) On 6 October 2022, the Company issued 265,845,300 H-shares with a nominal value of RMB1.00 each at a price of HKD38.00 per share by way of Global Offering. Net proceeds after deducting related listing fee from such issuance amounted to approximately RMB8,947 million out of which approximately RMB266 million and approximately RMB8,681 million were recorded in share capital and capital reserve respectively.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The Group monitors capital on the basis of the debt-to-equity ratio. This ratio is calculated as net debt divided by total equity including non-controlling interests. Net debt includes amounts due to related parties (non-trade nature), lease liabilities and interest-bearing bank borrowings, less cash and cash equivalents.

During 2022, the Group's policy was to maintain a low debt-to-equity ratio, in order to secure access to finance at a reasonable cost. In 2023, the Group adopted a new policy of keeping a higher but manageable debt-to-equity ratio. The new policy aims to meet the increased liquidity needs of its ongoing operations and to ensure the timely completion of its new production facilities.

41. Share Capital (Continued)

The debt-to-equity ratio at the end of reporting period is as follows:

	2023 RMB'000	2022 RMB'000
Amounts due to related parties (non-trade in nature)	425,700	471,652
Lease liabilities	82,801	116,417
Bank borrowings	29,170,734	17,707,476
	29,679,235	18,295,545
Less: Cash and cash equivalents	(7,833,962)	(10,931,814)
Net debt	21,845,273	7,363,731
Total equity including non-controlling interests	46,385,790	41,575,459
Debt-to-equity ratio	47.1%	17.7%

The increase in the debt-to-equity ratio during 2023 resulted primarily from increase of bank borrowings.

The externally imposed capital requirements for the Group are: (i) in order to maintain its listing on the Stock Exchange, the minimum public float of the H-shares of the Company shall be the higher of 13.08% of the total issued share capital of the Company, and the percentage of H-shares held by the public immediately following the completion of the Global Offering and the exercise of the Over-allotment Option; and (ii) to meet financial covenants attached to the interest-bearing borrowings.

42. Statement of Financial Position and Reserve Movement of the Company

(a) Statement of financial position of the Company

	2023 RMB'000	2022 RMB'000
Non-current assets		
Property, plant and equipment	13,520	35,535
Right-of-use assets	17,634	18,616
Intangible assets	280,467	308,285
Investments in subsidiaries	25,608,922	21,505,507
Investments in an associate	9,463	9,466
Loan to a subsidiary	–	1,095,607
Other financial assets	342,474	383,853
Deposits paid for acquisition of property, plant and equipment	368,522	374,516
Deferred tax assets	114,395	120,129
	26,755,397	23,851,514
Current assets		
Inventories	243,106	1,367,444
Trade and bills receivables	18,890,189	19,171,098
Prepayments, deposits and other receivables	1,167,587	1,513,876
Amounts due from related parties	3,133,639	4,074,058
Other financial assets	38,750	75,662
Pledged bank deposits	698,673	759,522
Restricted bank balances	252	252
Bank and cash balances	4,882,758	6,334,934
	29,054,954	33,296,846
Current liabilities		
Trade and bills payables	16,525,032	19,916,647
Accruals and other payables	370,664	340,583
Contract liabilities	614,903	539,259
Amounts due to related parties	474,677	84,137
Lease liabilities	451	711
Bank borrowings	2,347,955	773,543
Provisions	144,159	136,089
Financial guarantees	18,189	31,490
	20,496,030	21,822,459
Net current assets	8,558,924	11,474,387
Total assets less current liabilities	35,314,321	35,325,901

42. Statement of Financial Position and Reserve Movement of the Company (Continued)

(a) Statement of financial position of the Company (Continued)

	2023 RMB'000	2022 RMB'000
Non-current liabilities		
Deferred income	2,606	2,110
Lease liabilities	–	451
Bank borrowing	1,200,000	1,300,000
	1,202,606	1,302,561
NET ASSETS	34,111,715	34,023,340
Capital and reserves		
Share capital	1,772,302	1,772,302
Reserves	32,339,413	32,251,038
TOTAL EQUITY	34,111,715	34,023,340

Approved by the Board of Directors on 26 March 2024 and are signed on its behalf by:

LIU Jingyu

DAI Ying

42. Statement of Financial Position and Reserve Movement of the Company (Continued)

(b) Reserve movement of the Company

	Capital reserve RMB'000	Contribution from shareholder RMB'000	Other reserve RMB'000	Put option reserve RMB'000	Financial assets at FVTOCI reserve RMB'000	(Accumulated losses)/retained earnings RMB'000	Total RMB'000
At 1 January 2022	23,771,631	58,349	(160)	(926,620)	–	(193,370)	22,709,830
Total comprehensive income for the year	–	–	–	–	(85,778)	239,082	153,304
Disposal of associates	–	–	160	–	–	–	160
Issue of puttable equity (note 39)	–	–	–	(5,365,847)	–	–	(5,365,847)
Transferred from put option liabilities (note 39)	–	–	–	6,031,310	–	–	6,031,310
Share-based payments (note 40)	–	40,631	–	–	–	–	40,631
Issuance of ordinary shares upon Global Offering (note 41(i))	8,681,650	–	–	–	–	–	8,681,650
Changes in equity for the year	8,681,650	40,631	160	665,463	(85,778)	239,082	9,541,208
At 31 December 2022	32,453,281	98,980	–	(261,157)	(85,778)	45,712	32,251,038

	Capital reserve RMB'000	Contribution from shareholder RMB'000	Put option reserve RMB'000	Financial assets at FVTOCI reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2023	32,453,281	98,980	(261,157)	(85,778)	45,712	32,251,038
Total comprehensive income for the year	–	–	–	(35,303)	119,831	84,528
Share-based payments (note 40)	–	40,631	–	–	–	40,631
Share issue expenses	(36,784)	–	–	–	–	(36,784)
Changes in equity for the year	(36,784)	40,631	–	(35,303)	119,831	88,375
At 31 December 2023	32,416,497	139,611	(261,157)	(121,081)	165,543	32,339,413

43. RESERVES

(a) The Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statements of profit or loss and other comprehensive income and consolidated statements of changes in equity.

(b) Nature and purpose of reserves

(i) Capital reserve

Under PRC rules and regulations, capital reserve is non-distributable other than in liquidation and may be utilised for business expansion or converted into ordinary shares by the issuance of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by the shareholders.

(ii) Merger reserve

Merger reserve represents the difference of consideration paid and the carrying amount of net assets acquired in a combination under common control.

(iii) Safety production fund

Pursuant to certain regulations issued by the Ministry of Finance and the State Administration of Work Safety, the Group is required to set aside from profit after tax an amount to a legal reserve at different rates ranging from 0.05% to 2.35% of the total revenue recognised for the previous year. The reserve can be utilised for improvements of safety on the manufacturing work, and the amounts are generally expenses in nature and charged to the consolidated statement of profit or loss as incurred, and at the same time the corresponding amounts of safety reserve fund were utilised and transferred back to retained profits until such special reserve was fully utilised.

(iv) Contribution from shareholder

The share-based payments as set out in note 40 are credited as contribution from shareholder.

(v) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with accounting policies set out in note 4(f) to the consolidated financial statements.

(vi) Other reserve

The other reserve represents the share of other comprehensive income of associates.

(vii) Financial assets at FVTOCI reserve

The financial assets at FVTOCI reserve comprises the cumulative net change in the fair value of financial assets at FVTOCI held at the end of the reporting period and is dealt with in accordance with the accounting policy in note 4(n) to the consolidated financial statements.

44. Notes to the Consolidated Statement of Cash Flows

(a) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	1 January 2023 RMB'000	Cash flows RMB'000	Inception of leases RMB'000	Interest expenses (note 12) RMB'000	Effect of lease modification RMB'000	31 December 2023 RMB'000
Lease liabilities (note 34)	116,417	(23,727)	5,487	4,691	(20,067)	82,801
Bank borrowing (note 35)	17,707,476	10,496,771	–	966,487	–	29,170,734
	17,823,893	10,473,044	5,487	971,178	(20,067)	29,253,535

	1 January 2022 RMB'000	Cash flows RMB'000	Inception of leases RMB'000	Interest expenses (note 12) RMB'000	Effect of lease modification RMB'000	31 December 2022 RMB'000
Lease liabilities (note 34)	26,751	(22,408)	114,304	4,691	(6,921)	116,417
Bank borrowing (note 35)	2,890,647	14,461,092	–	355,737	–	17,707,476
	2,917,398	14,438,684	114,304	360,428	(6,921)	17,823,893

44. Notes to the Consolidated Statement of Cash Flows (Continued)

(b) Total cash outflow for leases

Amounts included in the consolidated statements of cash flows for leases comprise the following:

	2023 RMB'000	2022 RMB'000
Within operating cash flows	160,873	89,357
Within investing cash flows	246,389	920,862
Within financing cash	19,036	18,027
	426,298	1,028,246

These amounts relate to the following:

	2023 RMB'000	2022 RMB'000
Lease rental paid	179,909	107,384
Payments for right-of-use assets	246,389	920,862
	426,298	1,028,246

45. Contingent Liabilities

(a) The Group endorsed certain bank acceptance bills for the settlement of trade and other payables, discounted certain bank acceptance bills to banks for obtaining working capital and entered into factoring arrangement to transfer trade receivables to a bank without recourse. These outstanding endorsed bank acceptance bills, discounted bank acceptance bills and factored trade receivables are generally with maturities no more than 12 months. In the opinion of the Directors, the Group has transferred substantially all the risks and rewards relating to these instruments, the Group's obligations to the corresponding counterparties were discharged in accordance with the commercial practice in the PRC and the risk of default in payment of these instruments is low because they were issued or guaranteed by reputable PRC banks or enterprises. As a result, the relevant assets and liabilities were derecognised on the consolidated financial statements. The maximum exposure to the Group that may result from the default of these endorsed, discounted and factored instruments at 31 December are as follows:

	2023 RMB'000	2022 RMB'000
Endorsed or discounted bills	8,269,808	3,534,942
Factored trade receivables	1,700,000	–
	9,969,808	3,534,942

45. Contingent Liabilities (Continued)

(b) During 2021, Contemporary Amperex Technology Co., Limited ("**CATL**") has brought four intellectual property infringement claims (for Patent I, Patent II, Patent III and Patent IV, as defined in the Prospectus of the Company dated 23 September 2022) against the Company (each a "**Claim**" and together, the "**Claims**"). Luoyang Company is also a joint defendant in the Claim related to Patent II.

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

The Company received the respective first-instance judgements for the claims of Patent I, Patent III and Patent IV delivered by Fuzhou Intermediate Court between November 2022 and February 2023. After due consideration, the Company made a total provision of RMB8.64 million for the claims of Patent I, Patent III and Patent IV based on the assessment result of the compensation amounts of the internal legal counsel and external legal counsel by the end of 2022.

In December 2023, the Supreme Court has revoked the civil indictments from Fuzhou Intermediate Court regarding claims of Patent I and Patent IV. As a result, the Company has reversed the provision of RMB8.4 million related to claims of Patent I and Patent IV by the end of 2023. Details are set out in note 36 to the consolidated financial statements.

Regarding Claim of Patent III, the Company received a civil judgement from the Fuzhou Intermediate Court in November 2022 and the salient contents of which are: (1) the Group shall immediately cease selling products infringing the relevant patent, (2) the Group shall compensate CATL for its economic loss of RMB2.63 million and reasonable costs of RMB0.2 million, (3) the Group to pay RMB0.13 million fees for the temporary protection period for the relevant patent, and (4) other claims filed by CATL were rejected. Details are set out in the Company's announcement dated 30 November 2022. The litigation has no significant progress during the year ended 31 December 2023, hence the Directors determined to maintain the provision of RMB240,000 for Claim of Patent III as at 31 December 2023. Details are set out in note 36 to the consolidated financial statements.

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

45. Contingent Liabilities (Continued)

(b) (Continued)

Accordingly, the Group has the following contingent liabilities as at 31 December 2022 and 2023:

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

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

Save as disclosed above, the Group had no other material contingent liabilities as at 31 December 2023.

46. Capital Commitments

Commitments contracted for at the end of the respective reporting period but not yet incurred are as follows:

	2023 RMB'000	2022 RMB'000
Property, plant and equipment	19,153,765	28,629,450
Intangible assets	24,653	24,786
Leasehold Lands	3,101	15,045
Capital contribution to associates	320,000	320,000
Capital contribution to partnership funds	149,500	215,500
Capital contribution to share subscription	177,068	–
	19,828,087	29,204,781

47. Operating Lease Arrangements

The Group as lessee

The Group regularly entered into short-term leases for office equipment, staff quarters, office premise, factories, motor vehicles and warehouses. As at 31 December 2022 and 2023, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in note 20.

As at 31 December 2022 and 2023, the outstanding lease commitments relating to these short-term leases are RMB29,757,000 and RMB35,078,000 respectively.

The Group as lessor

Operating leases relate to property owned by the Group with lease terms of 1 year. The lessee does not have an option to purchase the property at the expiry of the lease period.

As at 31 December 2022 and 2023, there were no minimum lease payments receivable on leases.

The following table presents the amounts reported in profit or loss:

	2023 RMB'000	2022 RMB'000
Lease income on operating leases	8,330	5,147

48. Related Party Transactions

(a) Names and relationships of the related parties that had material transactions and balances with the Group during the year:

Name of party	Relationship
常州華科工程建設有限公司 Changzhou Huake Engineering Construction Co., Ltd.* ("**Huake Engineering**")	Shareholder
中航鋰電(洛陽)有限公司 China Lithium Battery Technology (Luoyang) Co., Ltd.* ("**Luoyang Company**")	Entity controlled by shareholders of the Company@
江蘇城東建設工程有限公司 Jiangsu Chengdong Construction Projects Co., Ltd.* ("**Jiangsu Chengdong Construction**")	Entity controlled by shareholders of the Company
常州市金壇區東鋰新能源科技發展有限公司 Changzhou City Jintan District Dongli New Energy Technology Development Co., Ltd.* ("**Dongli New Energy Technology**")	Entity controlled by shareholders of the Company
廈門金圓投資集團有限公司 Xiamen Jinyuan Industry Investment Group Company Limited* ("**Jinyuan Investment**")	Shareholder

* The official names of these entities are in Chinese. The English translation of the names are for identification purpose only.

@ Luoyang Company ceased to be an associate after the Company disposed of 49% equity interests of Luoyang Company on 9 March 2022 and became an entity controlled by shareholders of the Company.

48. Related Party Transactions (Continued)

(b) The Group had the following material transactions with its related parties during the year:

	2023 RMB'000	2022 RMB'000
Revenue from sales of goods to		
– Luoyang Company	163,961	–
Entrusted processing services from		
– Luoyang Company	1,956,184	3,486,061
Purchase of goods and services from		
– Luoyang Company	–	816
Purchase of property, plant and equipment from		
– Dongli New Energy Technology	–	91,455
– Luoyang Company	23,114	–
Disposal of property, plant and equipment to		
– Luoyang Company	1,157	214
Rental fee income from		
– Huake Engineering	5,366	4,409
Rental fee charged by		
– Huake Engineering	418	1,201
– Jiangsu Chengdong Construction	–	4,696
– Luoyang Company	3,052	–
Transportation and miscellaneous fee paid on behalf by		
– Luoyang Company	12,858	–
Construction fees charged by		
– Jiangsu Chengdong Construction	130,376	493,229

Since March 2021, Jinyuan Investment has been providing financial guarantee to a subsidiary of the Group, Xiamen Company in favour of a group of 6 banks, to guarantee the payment obligation of 80% principal amount (being RMB2,000 million) of a loan in the principal amount of RMB2,500 million for a term of 8 years. The guarantee period of Jinyuan Investment took effective from the date of entering into the guarantee agreement to three years after the expiration of repayment obligation by Xiamen Company under the loan agreement.

Since January 2022, Jinyuan Investment has been providing another financial guarantee to Xiamen Company, in favour of a group of 6 banks to guarantee the payment obligation of 80% principal amount (being RMB2,000 million) of a loan in the principal amount of RMB2,500 million for a term of 8 years. The guarantee period of Jinyuan Investment took effective from the date of entering into the guarantee agreement to three years after the expiration of repayment obligation by Xiamen Company under the loan agreement.

48. Related Party Transactions (Continued)

(c) Balances with related parties

Details of the Group's balances with related parties at the end of reporting period are disclosed in note 27.

(d) The remuneration of directors, supervisors and other members of senior management during the year was as follows:

	Fees RMB'000	Salaries, bonus and allowances RMB'000	Equity-settled share-based payments RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Dr. Pan Fangfang (潘芳芳博士)	–	5,084	8,126	32	13,242
Mr. Geng Yan'an (耿言安先生)	–	3,411	6,094	66	9,571
Ms. Gao Yan (高豔女士)	–	2,899	–	46	2,945
Mr. Wang Xiaoqiang (王小強先生)	–	2,888	2,032	46	4,966
Mr. He Fan (何凡先生)	–	2,884	2,032	40	4,956
Mr. Xie Qiu (謝秋先生)	–	2,877	–	32	2,909
Directors and supervisors as disclosed in note 16(a)	720	11,235	22,347	118	34,420
Total for year ended 31 December 2023	720	31,278	40,631	380	73,009
Dr. Pan Fangfang (潘芳芳博士)	–	4,044	8,126	32	12,202
Mr. Geng Yan'an (耿言安先生)	–	3,077	6,094	58	9,229
Ms. Gao Yan (高豔女士)	–	2,366	–	43	2,409
Mr. Wang Xiaoqiang (王小強先生)	–	1,839	2,032	11	3,882
Mr. He Fan (何凡先生)	–	1,852	2,032	38	3,922
Mr. Xie Qiu (謝秋先生)	–	1,853	–	32	1,885
Directors and supervisors as disclosed in note 16(a)	180	9,329	22,347	112	31,968
Total for year ended 31 December 2022	180	24,360	40,631	326	65,497

Notes:

The amounts disclosed above represent remuneration paid or payable to the directors and other members of senior management of the Company as key management personnel of the Group's entities.

49. EVENTS AFTER THE REPORTING PERIOD

(a) On 10 January 2024, the Company entered into a facility agreement with certain lending banks to act as guarantor of a EUR200 million bank loan facility for a subsidiary.

(b) On 14 March 2024, the Company has received the approval granted by The Stock Exchange of Hong Kong Limited for the listing of and permission to deal in 345,822,805 H-Shares ("Converted H-Shares") as described below. Subject to the required procedures as set out in the Company's announcement dated 14 March 2024, 345,822,805 existing domestic shares of the Company will be converted into the Converted H-Shares.

Apart from the above, the Group had no other material event after the reporting period as at 31 December 2023.

50. COMPARATIVE FIGURES

The comparative figures of investment and other income (note 9) have been re-presented to include government grants and subsidies to conform with the current reporting period presentation.

Financial Summary

	2023 RMB'000	2022 RMB'000	2021 RMB'000 (Re-presented)	2020 RMB'000 (Re-presented)	2019 RMB'000 (Re-presented)
Revenue	**27,005,885**	20,374,942	6,817,115	2,825,419	1,733,832
Cost of sales	**(23,494,367)**	(18,271,422)	(6,306,165)	(2,345,087)	(1,471,940)
Gross profit	**3,511,518**	2,103,520	510,950	480,332	261,892
Investment and other income	**200,492**	208,849	256,564	45,915	127,086
Other (losses) and gains, net	**(877,052)**	(62,872)	(89,541)	61,906	(142,008)
Selling expenses	**(343,162)**	(288,264)	(149,167)	(82,332)	(52,523)
Administrative expenses	**(675,753)**	(590,974)	(334,419)	(228,660)	(165,751)
Research and development expenses	**(991,961)**	(664,758)	(222,523)	(191,504)	(126,242)
Gain on disposal of subsidiaries	**–**	–	347,240	–	–
Impairment loss on investment in associates	**–**	–	(178,700)	–	–
(Impairment loss)/reversal of impairment loss on trade and bill receivables	**(60,763)**	9,315	(26,600)	(23,351)	(35,418)
Reversal of impairment loss/impairment loss on prepayments,deposits and other receivables	**880**	(3,157)	(682)	(1,281)	(1,659)
Profit/(loss) from operations	**764,199**	711,659	113,122	61,025	(134,623)
Finance costs	**(330,439)**	(65,217)	(24,975)	(57,365)	(41,175)
Share of (losses)/profits of associates	**(157)**	(815)	(24,714)	637	(8,715)
Profit/(loss) before tax	**433,603**	645,627	63,433	4,297	(184,513)
Income tax credit/(expense)	**3,560**	47,910	48,107	(22,625)	28,112
Profit/(loss) for the year	**437,163**	693,537	111,540	(18,328)	(156,401)
Attributable to:					
Owners of the Company	**294,377**	691,626	140,029	5,157	(118,690)
Non-controlling interests	**142,786**	1,911	(28,489)	(23,485)	(37,711)
	437,163	693,537	111,540	(18,328)	(156,401)
Non-current assets	**73,318,005**	53,101,171	20,034,407	10,519,656	6,281,947
Current assets	**32,111,020**	37,359,447	18,586,078	7,570,795	4,607,428
Total assets	**105,429,025**	90,460,618	38,620,485	18,090,451	10,889,375
Current liabilities	**36,821,461**	32,774,951	9,890,350	5,066,820	3,633,200
Non-current liabilities	**22,221,774**	16,110,208	3,744,011	415,010	1,190,376
Total liabilities	**59,043,235**	48,885,159	13,634,361	5,481,830	4,823,576

Definitions and Glossary

"Articles of Association"	the Articles of Association of the Company currently in force
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of directors of the Company
"Chengdu Company"	CALB (Chengdu) Co., Ltd.* (中創新航科技(成都)有限公司), a company established under the laws of the PRC with limited liability on 29 May 2021 and owned as to 51% by our Company and 49% by Chengdu Heavy Industry Longjin, a direct non-wholly owned subsidiary of our Company
"Company", "CALB", "we" or "us"	CALB Group Co., Ltd. (中創新航科技集團股份有限公司), H Shares of which are listed on the Stock Exchange with stock code of 3931
"connected person(s)"	has the same meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the same meaning ascribed to it under the Listing Rules
"continuing connected transaction(s)"	has the same meaning ascribed to it under the Listing Rules
"controlling shareholder(s)"	has the same meaning ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company
"Domestic Share(s)"	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
"Fujian Company"	CALB Fujian Co., Ltd.* (中創新航科技(福建)有限公司), a company established under the laws of the PRC with limited liability on 22 February 2022 and owned as to 51% by our Company and 49% by Xiamen Industrial Investment, a direct non-wholly owned subsidiary of our Company
"Group"	the Company and its subsidiaries
"H Share(s)"	the overseas listed foreign share(s) in the share capital of the Company with nominal value of RMB1.00 each, which are traded in Hong Kong dollars and listed on the Main Board of the Stock Exchange
"H Share Shareholder(s)"	holder(s) of H Shares
"Hefei Company"	CALB (Hefei) Co., Ltd.* (中創新航科技(合肥)有限公司), a company established under the laws of the PRC with limited liability on 25 September 2021 in which our Company is entitled to exercise more than 50% of the voting rights, a direct non wholly-owned subsidiary of our Company

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	any entity(ies) or person(s) who, to the best of the knowledge, information and belief of the Directors, is/are not a connected person(s) of the Company within the meaning ascribed thereto under the Listing Rules
"Jiangmen Company"	CALB (Jiangmen) Co., Ltd* (中創新航科技(江門)有限公司), a company established under the laws of the PRC with limited liability on 23 February 2022 and owned as to 63.7% by our Company and 36.3% by Jiangmen City Haina New Energy Investment Partnership (Limited Partnership)* (江門市海納新能源投資合夥企業(有限合夥)), a direct non-wholly owned subsidiary of our Company
"Jiangsu Company"	CALB (Jiangsu) Co., Ltd.* (中創新航科技(江蘇)有限公司), a company established under the laws of the PRC with limited liability on 23 June 2021, a direct wholly owned subsidiary of our Company
"Jiangsu Research Institute"	CALB Technology Co., Ltd.* (中創新航技術研究院(江蘇)有限公司), a company established under the laws of the PRC with limited liability on 11 November 2016, a direct wholly-owned subsidiary of our Company
"Jincheng Technology"	Jiangsu Jintan Jincheng Technology Industry Development Co., Ltd.* (江蘇金壇金城科技產業發展有限公司), a company established under the laws of the PRC with limited liability on 7 December 2015 and wholly owned by Jintan Holding, a connected person of the Company
"Jinhang Holding"	Jiangsu Jinhang Holding Co., Ltd.* (江蘇金航控股有限公司), a company established under the laws of the PRC with limited liability on 2 March 2022, which is owned as to 40% by Jincheng Technology, 30% by Cai Dongze (蔡東澤), an Independent Third Party, 12.5% by Nanjing Ruiguan Enterprise Management Centre (Limited Partnership)* (南京瑞冠企業管理中心(有限合夥)), 12.5% by Wuxi Fengshenghui Enterprise Management Partnership Business (Limited Partnership)* (無錫豐晟匯企業管理合夥企業(有限合夥)) and 5% by Jiangsu Fengchuang Environmental Energy Co., Ltd* (江蘇楓創環保能源有限公司), an Independent Third Party. Jinhang Holding is a connected person of our Company
"Jinsha Investment	Changzhou Jinsha Technology Investment Co., Ltd.* (常州金沙科技投資有限公司), a company established under the laws of the PRC with limited liability on 4 May 2008 and wholly owned by Jintan Holding
"Jintan Group"	namely Jinsha Investment, Huake Engineering, Huake Investment, Jintan International, Jintan Hualuogeng and Jintan Holding
"Jintan Holding"	Jiangsu Jintan Investment Holding Co., Ltd.* (江蘇金壇投資控股有限公司), a company established under the laws of the PRC with limited liability on 16 September 2014 and wholly owned by the Government of Jintan District, a connected person of the Company

"Jintan Hualuogeng"	Jiangsu Jintan Hualuogeng Technology Industry Development Co., Ltd.* (江蘇金壇華羅庚科技產業發展有限公司), a company established under the laws of the PRC with limited liability on 12 December 2014 and owned as to 90% by Jintan Holding and 10% by Changzhou Investment Group Co., Ltd.* (常州投資集團有限公司), respectively, a connected person of the Company
"Jintan International"	Jiangsu Jintan National Development International Investment Development Co., Ltd.* (江蘇金壇國發國際投資發展有限公司), a company established under the laws of the PRC with limited liability on 16 December 2010 and exercising its voting rights in our Shares in accordance with the instructions of Jintan Holding, a connected person of our Company
"Jinyuan Investment"	Xiamen Jinyuan Investment Group Co., Ltd.* (廈門金圓投資集團有限公司), a company established under the laws of the PRC with limited liability on 13 July 2011 and wholly owned by Xiamen Industrial Investment Co., Ltd., one of our Pre-IPO Investors and Substantial Shareholders
"Lihang Jinzhi"	Xiamen Lihang Jinzhi Equity Investment Partnership (Limited Partnership)* (廈門鋰航金智股權投資合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on 29 July 2019 whose general partner is Xiamen Lihang Equity Investment, one of our Pre-IPO Investors, a connected person of our Company
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Luoyang Company"	China Lithium Battery Technology (Luoyang) Co., Ltd.* (中航鋰電(洛陽)有限公司), a company established under the laws of the PRC with limited liability on 14 September 2009, which is owned as to 51% by Jincheng Technology and 49% by Jinhang Holding, and a connected person of our Company
"Materials Company"	CALB Materials (Sichuan) Co., Ltd* (中創新航材料科技(四川)有限公司), a company established under the laws of the PRC with limited liability on 26 January 2022, a direct wholly-owned subsidiary of our Company
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers
"PRC" or "China"	the People's Republic of China
"Prospectus"	the prospectus of the Company dated 23 September 2022
"Reporting Period"	from 1 January 2023 to 31 December 2023
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"Share(s)"	ordinary share(s) in the issued capital of the Company with a nominal value of RMB1.00 each, comprising Domestic Share(s) and H Share(s)
"Shareholder(s)"	shareholders of the Company
"Shenzhen Research Institute"	CALB Technology (Shenzhen) Co., Ltd.* (中創新航技術研究中心(深圳)有限公司), a company established under the laws of the PRC with limited liability on 28 May 2021, a direct wholly-owned subsidiary of our Company
"Sichuan Company"	CALB (Sichuan) Co., Ltd.* (中創新航科技(四川)有限公司), a company established under the laws of the PRC on 2 April 2022 and owned as to 51% by our Company and 49% by Meishan City Industrial Development Investment Guidance Fund Center (Limited Partnership)* (眉山市產業發展投資引導基金中心(有限合夥))
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the same meaning ascribed to it under the Listing Rules
"Supervisor(s)"	the supervisor(s) of the Company
"Wuhan Company"	CALB (Wuhan) Co., Ltd.* (中創新航科技(武漢)有限公司), a company established under the laws of the PRC with limited liability on 15 July 2021 and owned as to 51% by our Company and 49% by Wuhan Jingkai Investment Co., Ltd., a direct non-wholly owned subsidiary of our Company
"Xiamen Company"	CALB (Xiamen) Co., Ltd.* (中創新航新能源(廈門)有限公司), a company established under the laws of the PRC with limited liability on 15 July 2019 and a direct wholly-owned subsidiary of our Company
"Xiamen Industrial Investment"	Xiamen Industrial Investment Co., Ltd. (formerly known as Xiamen Jinyuan Industry Development Company Limited, which was renamed Xiamen Industrial Investment Co., Ltd. on 15 March 2024), a company established under the laws of the PRC with limited liability on 13 August 2014 and wholly owned by Jinyuan Investment, one of our Pre-IPO Investors and Substantial Shareholders
"%"	percent

中創新航科技集團股份有限公司
CALB Group Co., Ltd.