

FINANCIAL INFORMATION

The following discussion and analysis should be read in conjunction with our consolidated financial statements included in “Appendix I — Accountants’ Report,” together with the accompanying notes. Our consolidated financial statements have been prepared in accordance with the IFRSs.

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis that we make in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, the actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed in “Risk Factors” and “Forward-Looking Statements” and elsewhere in this document.

OVERVIEW

We are a globally leading innovative new energy technology company, primarily engaged in the research, development, production, and sales of EV batteries and ESS batteries. We aim to drive the transition from mobile and stationary fossil energy sources to sustainable alternatives, as well as creating integrated innovative solutions for new applications through advancements in electrification and intelligent technologies. By the end of September 2024, we had established six major R&D centers and 13 battery manufacturing bases worldwide, with service outlets spanning 64 countries and regions. We have the broadest coverage of customer and end-user base globally. By the end of November 2024, our EV batteries were installed in approximately 17 million vehicles, which represents one in every three EVs worldwide, and our ESS batteries were deployed in over 1,700 projects across the globe.

Leveraging decades of extensive experience we have accumulated in the lithium-ion battery industry, we have developed proprietary full-chain and highly efficient R&D capabilities, which lead to our comprehensive and advanced matrix of products and solution. It can be applied to passenger vehicle (PV), commercial vehicle (CV), front-of-the-meter (FTM) energy storage system, behind-the-meter (BTM) energy storage system, and emerging applications such as machinery, vessels, aircraft and others. Our products effectively meet the evolving and diverse needs of global customers.

Our revenue increased by 22.0% from RMB328.6 billion in 2022 to RMB400.9 billion in 2023. For the nine months ended September 30, 2024, our revenue reached RMB259.0 billion. Our profit increased by 41.5% from RMB33.5 billion in 2022 to RMB47.3 billion in 2023. For the nine months ended September 30, 2024, our profit was RMB38.8 billion.

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KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations are affected by a number of factors, including but not limited to the following.

Growing NEV and EV Battery Markets

The expansion of low-carbon transportation ecosystem is driving the rising penetration of NEV. According to the GGII Report, the global sales volume of NEV increased from 3.2 million units in 2020 to 17.5 million units in 2024 with a CAGR of 52.9%. The global EV battery shipments increased from 182 GWh in 2020 to 974 GWh in 2024, with a CAGR of 52.0%, driven by the increasing sales volume of NEV across end markets. The continuous growth of the global NEV market provides a strong foundation for our increasing operating results.

Growing ESS Market

As clean energy transition gains momentum around the globe, renewable energy such as wind and solar power is experiencing rapid growth. According to the GGII Report, the global cumulative installed capacity of wind and solar power grew from 1,505 GW in 2020 to 3,555 GW in 2024 with a CAGR of 24.0%. The development of renewable energy has propelled global ESS battery shipments, which increased from 27 GWh in 2020 to 300 GWh in 2024 with a CAGR of 82.5%. Robust growth in the ESS market has driven, and will continue to drive, our operating results.

Ability to Continuously Develop New Products and Attract Customer Orders

We have the broadest customer and end-user coverage, having established long-term and deep strategic partnerships with many automotive OEMs and ESS customers globally. Through product innovation, we are able to address diverse market demands. Our ability to consistently develop and launch new products while attracting customer orders is critical to our market share expansion and revenue growth.

Expansion into Emerging Business Areas

Aside from our EV and ESS battery business, we are actively expanding into emerging new energy applications such as machinery, vessels, aircraft and others. We have introduced new innovative solutions such as Skateboard Chassis and battery swapping, thus accelerating total electrification. Our ability to effectively expand into new emerging areas and launching innovative solutions are key factors driving our future revenue growth and profitability.

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Cost Control and Operational Efficiency

Our cost of sales primarily consists of direct material cost. We enhance our production efficiency and reduce production costs through technological innovation and supply chain management. In addition, our operating expenses include research and development expenses, administrative and other operational expenses, and selling expenses, among others. Our ability to improve operational efficiency and maintain effective cost control will also affect our results of operations.

BASIS OF PRESENTATION AND PREPARATION

Our historical financial information has been prepared in accordance with the IFRSs. All IFRSs that are effective for the accounting period beginning on January 1, 2024, together with the relevant transitional provisions, have been early adopted by us in the preparation of the historical financial information throughout the Track Record Period. The historical financial information has been prepared on the historical cost basis except for certain financial assets and liabilities which are stated at fair value.

MATERIAL ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Our accounting policies may require us to apply estimates and assumptions as well as complex judgments relating to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and results of operations. Our management continually evaluates such estimates, assumptions and judgments based on experience and other factors, including the expectation of future events that are believed to be reasonable under the circumstances. There has not been any material deviation between our management’s estimates or assumptions and actual results during the Track Record Period. Amendments to accounting standards, implementation of new standards and changes in accounting policies may also require us to adjust the presentation of our financial statements, which could materially impact the comparability of our financial metrics and our reported results of operations.

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Set forth below are discussions of the accounting policies that we believe are most significant to us or involve the most critical estimates, assumptions and judgments used in the preparation of our financial statements. Other material accounting policies, critical estimates, assumptions and judgments, which are important for understanding our financial condition and results of operations, are set forth in detail in Notes 3.2 and 4 to the Accountants’ Report in Appendix I to this document.

Revenue Recognition

Revenue mainly arises from the following major sources:

- (i) sales of EV batteries;
- (ii) sales of ESS batteries;
- (iii) sales of battery materials from recycling process;
- (iv) sales of battery mineral resources; and
- (v) others.

To determine whether to recognize revenue, we follow a 5-step process:

- 1. Identifying the contract with a customer;
- 2. Identifying the performance obligations;
- 3. Determining the transaction price;
- 4. Allocating the transaction price to the performance obligations; and
- 5. Recognizing revenue when or as performance obligations are satisfied.

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognized either at a point in time or over time, when we satisfy performance obligations by transferring the promised goods or services to our customers.

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Further details of our revenue and other income recognition policies are as follows:

Sale of Goods

Revenue from sale of goods between us and our customers generally only includes a performance obligation for the transfer of goods, which is recognized when the performance obligation has been satisfied at a point in time. Revenue for domestic sale of goods is recognized when we have delivered the products to the customers in accordance with the contract terms, and has received acceptance and other proof of receipt from the customers. Revenue for overseas sale of goods is recognized when we have declared the goods for customs clearance in accordance with the contract terms, and has obtained a customs clearance or received acceptance and other proof of receipt from the customers.

We provide after-sale service fee for its goods and makes the respective provisions. We do not provide any other additional services or after-sale service, therefore, such after-sale service does not constitute a separate performance obligation.

We have entered into contracts with certain customers that include sale rebate terms that may have a variable consideration. We make the best estimate of the variable consideration on the basis of the expected value or the amount that is most likely to be incurred, provided that the transaction price containing the variable consideration does not exceed the amount at which it is highly probable that a material reversal of the cumulative recognized revenue will occur when the related uncertainty is eliminated.

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Provision of Services

Revenue from provision of services between us and our customers generally include technical services. If the customers obtain and consume the economic benefits brought by our performance when we have performed our obligations, we may treat our performance obligation has been satisfied within a certain period of time and recognize the respective revenue over time, except for those revenue where the progress of performance cannot be reasonably determined.

Revenue from provision of services is recognized when we have satisfied the corresponding performance obligation in accordance with the contract terms, and have received acceptance and other proof of receipt form the customers.

Dividend Income

Dividend income is recognized when the right to receive payment is established.

Interest Income

Interest income is recognized on a time proportion basis using the effective interest method. For financial assets measured at amortized cost 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 amortized cost (i.e., gross carrying amount net of expected credit losses (“ECL”) allowance) of the asset.

Estimation of Impairment of Trade and Bills Receivables and Contract Assets

We make allowances on trade and bills receivables and contract assets based on assumptions about risk of default and expected loss rates. We use judgment in making these assumptions and selecting the inputs to the impairment calculation, based on our past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. As of December 31, 2022 and 2023 and September 30, 2024, the aggregate carrying amounts of trade and bills receivables and contract assets amounted to RMB61.7 billion (net of ECL allowance of RMB1.8 billion), RMB66.0 billion (net of ECL allowance of RMB2.1 billion) and RMB67.4 billion (net of ECL allowance of RMB2.9 billion), respectively.

The provision of ECL is sensitive to changes in estimates. When the actual future cash flows are different from expected, such difference will impact the carrying amount of trade and bills receivables and contract assets, and credit losses in the periods in which such estimate has been changed.

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Impairment of Non-financial Assets (Other than Contract Assets)

The following assets are subject to impairment testing:

- Goodwill arising on acquisition of a subsidiary;
- Intangible assets;
- Property, plant and equipment;
- Right-of-use assets; and
- Our investments in subsidiaries, associates and joint ventures.

Goodwill and intangible assets with indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognized as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e., a CGU). As a result, some assets are tested individually for impairment and some are tested at CGU sub-level. Corporate assets are allocated to individual CGUs, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified. Goodwill in particular is allocated to those CGUs that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose and not be larger than an operating segment.

Impairment losses recognized for CGUs, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the CGU, except that the carrying value of an asset will not be reduced below its individual fair value less cost of disposal, or value in use, if determinable.

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An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a favorable change in the estimates used to determine the asset’s recoverable amount and only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Estimation of Fair Value of Financial Instruments not Traded in an Active Market

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. We use our judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each period during the Track Record Period. For details of the valuation techniques, inputs and key assumptions used in the determination of the fair value of financial assets at level 3 fair value hierarchy, see Note 45 to the Accountants’ Report as set out in Appendix I to this document.

Impairment of Property, Plant and Equipment, Intangible Assets with Finite Useful Lives and Right-of-use Assets

Property, plant and equipment, intangible assets with finite useful lives and right-of-use assets are stated at costs less accumulated depreciation or amortization and impairment, if any. In determining whether an asset is impaired, we have to exercise judgment and make estimation, particularly in assessing: (i) whether an event has occurred or any indicators that may affect the asset value; (ii) whether the carrying amount 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 (iii) the appropriate key assumptions to be applied in estimating the recoverable amount, 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), we estimate the recoverable amount of the CGU 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.

As of December 31, 2022 and 2023 and September 30, 2024, the aggregate carrying amounts of property, plant and equipment, intangible assets with finite useful lives and right-of-use assets amounted to RMB137.1 billion (net of impairment losses of RMB0.6 billion), RMB161.1 billion (net of impairment loss of RMB5.5 billion) and RMB155.7 billion (net of impairment losses of RMB10.3 billion), respectively.

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DESCRIPTION OF SELECTED COMPONENTS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The following table sets forth a summary of our consolidated statements of profit or loss for the years/periods indicated.

	For the year ended December 31,				For the nine months ended September 30,			
	2022		2023		2023		2024	
	<i>RMB'000</i>	<i>% of revenue</i>	<i>RMB'000</i>	<i>% of revenue</i>	<i>RMB'000</i>	<i>% of revenue</i>	<i>RMB'000</i>	<i>% of revenue</i>
	<i>(Unaudited)</i>							
Revenue	328,593,988	100.0	400,917,045	100.0	294,677,251	100.0	259,044,749	100.0
Cost of sales.	(270,629,780)	(82.4)	(323,982,130)	(80.8)	(237,675,466)	(80.7)	(194,352,590)	(75.0)
Gross profit.	57,964,208	17.6	76,934,915	19.2	57,001,785	19.3	64,692,159	25.0
Research and development expenses	(15,510,453)	(4.7)	(18,356,108)	(4.6)	(14,875,734)	(5.0)	(13,073,136)	(5.0)
Administrative and other operating expenses	(8,103,787)	(2.5)	(10,526,439)	(2.6)	(8,217,842)	(2.8)	(8,488,817)	(3.3)
Selling expenses	(2,519,230)	(0.8)	(3,042,744)	(0.8)	(2,642,679)	(0.9)	(2,608,018)	(1.0)
Other income	7,047,244	2.1	14,883,428	3.7	10,131,710	3.4	14,081,544	5.4
Other gains and losses, net.	1,285,908	0.4	410,724	0.1	(95,445)	(0.0)	(1,014,030)	(0.4)
Impairment losses	(3,973,175)	(1.2)	(6,107,968)	(1.5)	(3,096,622)	(1.1)	(7,543,427)	(2.9)
Finance costs	(2,132,375)	(0.6)	(3,446,516)	(0.9)	(2,317,681)	(0.8)	(2,966,060)	(1.1)
Share of results of associates and joint ventures, net	2,614,517	0.8	3,745,762	0.9	1,307,678	0.4	2,712,745	1.0
Profit before income tax	36,672,857	11.2	54,495,054	13.6	37,195,170	12.6	45,792,960	17.7
Income tax expense	(3,215,713)	(1.0)	(7,153,019)	(1.8)	(4,650,152)	(1.6)	(6,987,231)	(2.7)
Profit for the year/period	33,457,144	10.2	47,342,035	11.8	32,545,018	11.0	38,805,729	15.0
Profit for the year/period attributable to:								
Owners of the Company	30,729,164	9.4	44,702,249	11.1	31,174,229	10.6	36,073,548	13.9
Non-controlling interests	2,727,980	0.8	2,639,786	0.7	1,370,789	0.5	2,732,181	1.1

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Revenue

During the Track Record Period, our revenue was derived primarily from EV batteries, ESS batteries, battery materials and recycling, and battery mineral resources.

The following table sets forth the breakdown of our revenue by product type for the years/periods indicated.

	For the year ended December 31,				For the nine months ended September 30,			
	2022		2023		2023		2024	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
					(Unaudited)			
EV batteries	236,593,497	72.0	285,252,917	71.2	212,604,509	72.1	175,542,789	67.8
ESS batteries	44,980,277	13.7	59,900,522	14.9	41,699,132	14.2	46,418,980	17.9
Battery materials and recycling	26,031,514	7.9	33,602,284	8.4	24,740,746	8.4	18,820,505	7.3
Battery mineral resources	4,508,633	1.4	7,734,151	1.9	5,967,306	2.0	4,526,676	1.7
Others ⁽¹⁾	16,480,067	5.0	14,427,171	3.6	9,665,558	3.3	13,735,799	5.3
Total	328,593,988	100.0	400,917,045	100.0	294,677,251	100.0	259,044,749	100.0

Note:

- (1) Primarily including revenue generated from (i) sales of raw materials and scrap materials, and (ii) provision of research and development services.

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The EV batteries we sell primarily include battery cells, battery modules/racks and battery packs. Our revenue from sales of EV batteries increased by 20.6% from RMB236.6 billion in 2022 to RMB285.3 billion in 2023, primarily driven by the increasing customer demand for our products. Our revenue from sales of EV batteries decreased by 17.4% from RMB212.6 billion for the nine months ended September 30, 2023 to RMB175.5 billion for the nine months ended September 30, 2024, mainly due to a reduction in our average selling price in response to decrease in the prices of raw materials, including lithium carbonate, despite increased sales volumes. During the Track Record Period, the sales volume of our EV batteries continued to grow, primarily attributable to (i) our technological advantages, economies of scale, and strong customer base in the EV battery sector, and (ii) the rapid expansion of the NEV industry that drove the sustained growth in global demand for EV batteries.

Our revenue from sales of ESS batteries increased by 33.2% from RMB45.0 billion in 2022 to RMB59.9 billion in 2023, and increased by 11.3% from RMB41.7 billion for the nine months ended September 30, 2023 to RMB46.4 billion for the nine months ended September 30, 2024. Such increase was primarily attributable to (i) increasing adoption of renewable energy worldwide, and (ii) advancements in ESS battery technology and declining costs led to the expansion of ESS application. This has contributed to substantial demand growth for our ESS batteries, resulting in an increasing share of ESS battery sales in our total revenue.

The following table sets forth a geographic breakdown of our revenue for the years/periods indicated.

	For the year ended December 31,				For the nine months ended September 30,			
	2022		2023		2023		2024	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(Unaudited)</i>							
Mainland China . . .	251,670,828	76.6	269,924,895	67.3	197,285,988	66.9	178,977,485	69.1
Other countries/ regions	76,923,160	23.4	130,992,150	32.7	97,391,263	33.1	80,067,264	30.9
Total	328,593,988	100.0	400,917,045	100.0	294,677,251	100.0	259,044,749	100.0

Cost of Sales

Our cost of sales primarily consisted of (i) cost of direct materials for battery production, primarily including cathode, anode, separator and electrolyte, and (ii) others, including employee benefits, depreciation and amortization, logistics and transportation expenses and after-sales service expenses.

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The following table sets forth the breakdown of our cost of sales by nature for the years/periods indicated.

	For the year ended December 31,				For the nine months ended September 30,			
	2022		2023		2023		2024	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
					(Unaudited)			
Direct materials	226,656,083	83.8	255,662,877	78.9	192,285,179	80.9	146,350,209	75.3
Others	43,973,697	16.2	68,319,253	21.1	45,390,287	19.1	48,002,381	24.7
Total	270,629,780	100.0	323,982,130	100.0	237,675,466	100.0	194,352,590	100.0

During the Track Record Period, our cost of sales primarily consisted of the cost of direct materials for battery production. Our cost of sales increased by 19.7% from RMB270.6 billion in 2022 to RMB324.0 billion in 2023, primarily due to increased sales volume, partially offset by a decline in raw material prices. Our cost of sales decreased by 18.2% from RMB237.7 billion for the nine months ended September 30, 2023 to RMB194.4 billion for the same period in 2024, primarily due to decrease in the prices of raw materials, including lithium carbonate, partially offset by the increase in sales volume.

The following table sets forth the breakdown of our cost of sales by product type for the years/periods indicated.

	For the year ended December 31,				For the nine months ended September 30,			
	2022		2023		2023		2024	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
					(Unaudited)			
EV batteries	203,174,610	75.1	233,547,579	72.1	175,346,867	73.8	132,929,405	68.4
ESS batteries	38,698,025	14.3	48,726,092	15.0	33,158,314	14.0	33,219,240	17.1
Battery materials and recycling	20,506,030	7.6	29,777,745	9.2	21,035,504	8.9	16,728,862	8.6
Battery mineral resources . .	3,956,846	1.5	6,197,890	1.9	4,958,867	2.1	4,262,703	2.2
Others ⁽¹⁾	4,294,269	1.6	5,732,824	1.8	3,175,914	1.3	7,212,380	3.7
Total	270,629,780	100.0	323,982,130	100.0	237,675,466	100.0	194,352,590	100.0

Note:

- (1) Primarily including the cost of sales related to (i) sales of raw materials and scrap materials, and (ii) provision of research and development services.

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Gross Profit and Gross Profit Margin

The following table sets forth the breakdown of our gross profit and gross profit margin by product type for the years/periods indicated.

	For the year ended December 31,				For the nine months ended September 30,			
	2022		2023		2023		2024	
	<i>Gross profit</i>		<i>Gross profit</i>		<i>Gross profit</i>		<i>Gross profit</i>	
	<i>margin</i>	<i>margin</i>	<i>margin</i>	<i>margin</i>	<i>margin</i>	<i>margin</i>	<i>margin</i>	<i>margin</i>
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
	<i>(Unaudited)</i>							
EV batteries	33,418,887	14.1	51,705,338	18.1	37,257,642	17.5	42,613,384	24.3
ESS batteries	6,282,252	14.0	11,174,430	18.7	8,540,818	20.5	13,199,740	28.4
Battery materials and recycling	5,525,484	21.2	3,824,539	11.4	3,705,242	15.0	2,091,643	11.1
Battery mineral resources . .	551,787	12.2	1,536,261	19.9	1,008,439	16.9	263,973	5.8
Others	12,185,798	73.9	8,694,347	60.3	6,489,644	67.1	6,523,419	47.5
Total	57,964,208	17.6	76,934,915	19.2	57,001,785	19.3	64,692,159	25.0

Our gross profit increased by 32.7% from RMB58.0 billion in 2022 to RMB76.9 billion in 2023, and increased by 13.5% from RMB57.0 billion for the nine months ended September 30, 2023 to RMB64.7 billion for the nine months ended September 30, 2024. Our gross profit margin increased from 17.6% in 2022 to 19.2% in 2023, and further increased from 19.3% for the nine months ended September 30, 2023 to 25.0% for the nine months ended September 30, 2024. Our gross profit margin showed continued growth during the Track Record Period, mainly because (i) the unit economics of our battery products remained stable while increasing, driven by the scaled commercial application of our innovative products, such as Qilin battery and Shenxing battery, which gained wide customer recognition following their market launch; and (ii) the average selling price of our battery products was reduced in response to decrease in the cost of raw materials including lithium carbonate. This, combined with our stable and improving unit economics, led to the consequent increase of our gross profit margin.

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Research and Development Expenses

Our research and development expenses primarily consisted of employee benefit expenses and material costs. The following table sets forth the breakdown of our research and development expenses for the years/periods indicated.

	For the year ended December 31,				For the nine months ended September 30,			
	2022		2023		2023		2024	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(Unaudited)</i>							
Employee benefit								
expenses	6,139,594	39.6	7,421,248	40.4	6,095,833	41.0	6,233,063	47.7
Material costs	6,364,041	41.0	5,396,630	29.4	4,805,681	32.3	3,665,621	28.0
Others	3,006,818	19.4	5,538,230	30.2	3,974,220	26.7	3,174,452	24.3
Total	<u>15,510,453</u>	<u>100.0</u>	<u>18,356,108</u>	<u>100.0</u>	<u>14,875,734</u>	<u>100.0</u>	<u>13,073,136</u>	<u>100.0</u>

Our research and development expenses as a percentage of our revenue remained stable during the Track Record Period, accounting for 4.7%, 4.6%, 5.0% and 5.0% of our revenue in 2022 and 2023 and the nine months ended September 30, 2023 and 2024, respectively. We pursue iterative innovation in battery materials, electrochemistry, and system structures, making significant investments in research and development, with employee benefits for our R&D personnel continuously increasing both in absolute amount and as a percentage of total research and development expenses.

Administrative and Other Operating Expenses

Our administrative and other operating expenses primarily consisted of employee benefits, taxes and surcharges, depreciation and amortization costs, and administrative and office expenses. The following table sets forth the breakdown of our administrative and other operating expenses for the years/periods indicated.

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	For the year ended December 31,				For the nine months ended September 30,			
	2022		2023		2023		2024	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
					(Unaudited)			
Employee benefit								
expenses	4,177,011	51.5	4,551,375	43.2	4,237,126	51.6	3,462,186	40.8
Taxes and								
surcharges	907,484	11.2	1,695,508	16.1	1,105,083	13.4	1,557,474	18.3
Depreciation and								
amortization costs.	927,730	11.4	1,577,059	15.0	1,255,595	15.3	1,547,835	18.2
Administrative and								
office expenses . .	760,790	9.4	736,399	7.0	542,709	6.6	852,593	10.0
Share-based								
payments	178,691	2.2	262,482	2.5	175,932	2.1	295,941	3.5
Business expenses . .	107,078	1.3	184,114	1.7	123,304	1.5	164,749	1.9
Service fees	217,632	2.7	369,107	3.5	194,937	2.4	156,886	1.8
Others	827,371	10.2	1,150,395	10.9	583,156	7.1	451,153	5.3
Total	8,103,787	100.0	10,526,439	100.0	8,217,842	100.0	8,488,817	100.0

Our administrative and other operating expenses as a percentage of our revenue remained stable during the Track Record Period, accounting for 2.5%, 2.6%, 2.8% and 3.3% of our revenue in 2022 and 2023 and the nine months ended September 30, 2023 and 2024, respectively. As our business scale expanded, taxes and surcharges increased both in absolute amount and as a percentage of administrative and other operating expenses, while we remained focused on the continuous optimization of our administrative and other operating expenses.

Selling Expenses

Our selling expenses primarily consisted of employee benefit expenses, as well as administrative and office expenses. In 2022 and 2023 and the nine months ended September 30, 2023 and 2024, our selling expenses amounted to RMB2.5 billion, RMB3.0 billion, RMB2.6 billion and RMB2.6 billion, respectively.

Our selling expenses as a percentage of our revenue remained stable during the Track Record Period, accounting for 0.8%, 0.8%, 0.9%, and 1.0% of our revenue in 2022 and 2023 and the nine months ended September 30, 2023 and 2024, respectively.

Other Income

Our other income primarily consisted of interest income. Our other income increased from RMB7.0 billion in 2022 to RMB14.9 billion in 2023, and increased from RMB10.1 billion for the nine months ended September 30, 2023 to RMB14.1 billion for the same period in 2024.

FINANCIAL INFORMATION

Other Gains and Losses, Net

The following table sets forth a breakdown of our net other gains and losses for the years/periods indicated.

	For the year ended December 31,		For the nine months ended September 30,	
	2022	2023	2023	2024
	RMB'000			
	(Unaudited)			
Fair value gains on financial assets at fair value through profit or loss (“FVTPL”) . .	400,241	46,270	215,303	190,410
Loss on disposal of property, plant and equipment, right-of-use assets and intangible assets	(43,252)	(38,574)	(41,318)	(2,805)
Gains on disposal/deemed disposal of investments in subsidiaries, associates and joint ventures, net	354,947	328,073	1,244,232	360,104
Interest income from financial assets at FVTPL .	52,937	26,759	13,772	92,810
Losses from derecognition of financial assets at FVTOCI	(530,397)	(636,725)	(384,361)	(299,554)
Net foreign exchange gains/(losses)	1,162,628	421,518	(1,337,459)	(1,109,380)
Others	(111,196)	263,403	194,386	(245,615)
Total	<u>1,285,908</u>	<u>410,724</u>	<u>(95,445)</u>	<u>(1,014,030)</u>

FINANCIAL INFORMATION

Impairment Losses

During the Track Record Period, our impairment losses were primarily related to inventories, property, plant and equipment, intangible assets, and trade and other receivables. In 2022 and 2023 and the nine months ended September 30, 2023 and 2024, our impairment losses amounted to RMB4.0 billion, RMB6.1 billion, RMB3.1 billion and RMB7.5 billion, respectively.

Finance Costs

Our finance costs primarily consisted of interest expense on borrowings.

The following table sets forth the breakdown of our finance costs for the years/periods indicated.

	For the year ended December 31,		For the nine months ended September 30,	
	2022	2023	2023	2024
	RMB'000			
	(Unaudited)			
Interest expense on				
borrowings	2,167,340	3,720,103	2,447,788	3,138,124
Interest expense on lease				
liabilities	27,977	17,783	13,500	35,964
	2,195,317	3,737,886	2,461,288	3,174,088
Less: interest capitalized	(62,942)	(291,370)	(143,607)	(208,028)
	<u>2,132,375</u>	<u>3,446,516</u>	<u>2,317,681</u>	<u>2,966,060</u>

FINANCIAL INFORMATION

Share of Results of Associates and Joint Ventures, Net

Our net share of results of associates and joint ventures primarily represented our share of profits or losses from long-term investments in associates and joint ventures. We recorded share of net results of associates and joint ventures of RMB2.6 billion, RMB3.7 billion, RMB1.3 billion and RMB2.7 billion in 2022 and 2023 and the nine months ended September 30, 2023 and 2024, respectively. For details of the associates and joint ventures we invested in during the Track Record Period, see Note 20 to the Accountants’ Report as set out in Appendix I to this document.

Income Tax Expense

Our income tax primarily consisted of current income tax and deferred income tax. In 2022, 2023 and the nine months ended September 30, 2023 and 2024, we recorded income tax expenses of RMB3.2 billion, RMB7.2 billion, RMB4.7 billion and RMB7.0 billion, respectively. We are subject to different tax rates in different jurisdictions.

Pursuant to the existing legislation, interpretations and practices, the income tax provision of some of our entities in mainland China was calculated at the statutory tax rate of 25% on the estimated assessable profits during the Track Record Period. Several of our subsidiaries in mainland China qualified as high-tech enterprises, and several subsidiaries’ operations fell within the scope of China’s Western Development Program. Accordingly, they enjoyed a preferential income tax rate of 15% for the Track Record Period. Pursuant to the relevant laws and regulations, one of our subsidiaries in mainland China qualified as a key software enterprise encouraged by the state. This subsidiary is entitled to an enterprise income tax exemption for its first five profitable years, and will be taxed at 10% starting from the sixth year. This subsidiary first recorded profit in 2022.

The provision for Hong Kong profits tax is generally calculated at 16.5% of the estimated assessable profits. Taxation for our overseas subsidiaries is calculated at the tax rates prevailing in the relevant jurisdictions.

During the Track Record Period and up to the Latest Practicable Date, we did not have any disputes or unresolved tax issues with the relevant tax authorities which may have a material adverse impact on our business, financial position and results of operations.

Profits for the Year/Period

We recorded a profit of RMB33.5 billion, RMB47.3 billion, RMB32.5 billion and RMB38.8 billion in 2022 and 2023 and the nine months ended September 30, 2023 and 2024, respectively.

FINANCIAL INFORMATION

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Nine Months Ended September 30, 2024 Compared to Nine Months Ended September 30, 2023

Revenue

Our revenue decreased by 12.1% from RMB294.7 billion for the nine months ended September 30, 2023 to RMB259.0 billion for the nine months ended September 30, 2024. This decrease was primarily due to a reduction in our average selling price in response to decrease in the prices of raw materials, despite sales volume growth in both EV batteries and ESS batteries.

Our revenue generated from sales of EV batteries decreased by 17.4% from RMB212.6 billion for the nine months ended September 30, 2023 to RMB175.5 billion for the nine months ended September 30, 2024. This decrease was mainly due to a reduction in our average selling price in response to decrease in the prices of raw materials, including lithium carbonate, despite the increased sales volume of our EV batteries.

Our revenue generated from sales of ESS batteries increased by 11.3% from RMB41.7 billion for the nine months ended September 30, 2023 to RMB46.4 billion for the nine months ended September 30, 2024. Such increase was primarily due to the significant growth in the sales volume of our ESS batteries, which was partially offset by a decrease in the average selling price of our ESS batteries. The decline in average selling price was mainly attributable to decrease in the prices of raw materials, including lithium carbonate.

Cost of Sales

Our cost of sales decreased by 18.2% from RMB237.7 billion for the nine months ended September 30, 2023 to RMB194.4 billion for the nine months ended September 30, 2024, primarily due to the decrease in the prices of raw materials, including lithium carbonate, partially offset by the growth in our sales volume.

Gross Profit and Gross Profit Margin

Our gross profit increased by 13.5% from RMB57.0 billion for the nine months ended September 30, 2023 to RMB64.7 billion for the nine months ended September 30, 2024. Our gross profit margin increased from 19.3% for the nine months ended September 30, 2023 to 25.0% for the nine months ended September 30, 2024, mainly because (i) the unit economics of our batteries remained stable despite a decrease in average selling price, driven by the competitive strengths of our innovative products; and (ii) the average selling price of our batteries was reduced in response to decrease in the prices of raw materials including lithium carbonate, which, combined with stable unit economics, drove an increase in gross profit margin.

FINANCIAL INFORMATION

Our gross profit for sales of EV batteries increased by 14.4% from RMB37.3 billion for the nine months ended September 30, 2023 to RMB42.6 billion for the nine months ended September 30, 2024, and our gross profit margin increased from 17.5% to 24.3% for the same period.

Our gross profit for sales of ESS batteries increased by 54.5% from RMB8.5 billion for the nine months ended September 30, 2023 to RMB13.2 billion for the nine months ended September 30, 2024, and our gross profit margin increased from 20.5% to 28.4% for the same period.

Research and Development Expenses

Our research and development expenses decreased from RMB14.9 billion for the nine months ended September 30, 2023 to RMB13.1 billion for the nine months ended September 30, 2024, primarily due to decreased material costs related to R&D activities as raw material prices declined.

Administrative and Other Operating Expenses

Our administrative and other operating expenses remained stable at RMB8.2 billion for the nine months ended September 30, 2023 and RMB8.5 billion for the nine months ended September 30, 2024.

Selling Expenses

Our selling expenses remained stable at RMB2.6 billion for the nine months ended September 30, 2023 and the nine months ended September 30, 2024.

Other Income

Our other income increased from RMB10.1 billion for the nine months ended September 30, 2023 to RMB14.1 billion for the nine months ended September 30, 2024, primarily due to increased interest income as a result of an increase in bank deposit balance.

Other Gains and Losses, Net

Our net other gains and losses was a loss of RMB0.1 billion for the nine months ended September 30, 2023, compared to a loss of RMB1.0 billion for the nine months ended September 30, 2024. The difference was primarily due to a decrease in gain on disposal/deemed disposal of investments in subsidiaries, associates and joint ventures of RMB0.9 billion.

FINANCIAL INFORMATION

Impairment Losses

Our impairment losses increased from RMB3.1 billion for the nine months ended September 30, 2023 to RMB7.5 billion for the nine months ended September 30, 2024, primarily due to an increase in impairment related to our property, plant and equipment and intangible assets.

Finance Costs

Our finance costs increased from RMB2.3 billion for the nine months ended September 30, 2023 to RMB3.0 billion for the nine months ended September 30, 2024, primarily due to higher interest expenses from increased borrowings in line with our business expansion.

Share of Results of Associates and Joint Ventures, Net

Our net share of results of associates and joint ventures increased from RMB1.3 billion for the nine months ended September 30, 2023 to RMB2.7 billion for the nine months ended September 30, 2024, primarily reflecting an increase in our share of profits in certain associates and joint ventures.

Income Tax Expenses

Our income tax expense increased from RMB4.7 billion for the nine months ended September 30, 2023 to RMB7.0 billion for the nine months ended September 30, 2024, primarily reflecting the growth in our profit before tax.

Profit for the Period

As a result of the foregoing, our profit for the period increased by 19.2% from RMB32.5 billion for the nine months ended September 30, 2023 to RMB38.8 billion for the nine months ended September 30, 2024. Our net profit margin was 11.0% and 15.0% for the nine months ended September 30, 2023 and 2024, respectively.

FINANCIAL INFORMATION

Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

Revenue

Our revenue increased by 22.0% from RMB328.6 billion in 2022 to RMB400.9 billion in 2023, primarily due to the continuous sales volume growth of our EV batteries and ESS batteries, partially offset by a decrease in our average selling price.

Our revenue generated from sales of EV batteries increased by 20.6% from RMB236.6 billion in 2022 to RMB285.3 billion in 2023. Such increase was primarily attributable to the growth in sales volume driven by increasing demand for our EV batteries, partially offset by lower average selling price of our EV batteries.

Our revenue generated from sales of ESS batteries increased by 33.2% from RMB45.0 billion in 2022 to RMB59.9 billion in 2023. Such increase was primarily attributable to robust sales volume growth of our ESS batteries, partially offset by lower average selling price of our ESS batteries.

Cost of Sales

Our cost of sales increased by 19.7% from RMB270.6 billion in 2022 to RMB324.0 billion in 2023, primarily reflecting the increase in sales volume of our products, partially offset by a decline in raw material prices.

Gross Profit and Gross Profit Margin

Our gross profit increased by 32.7% from RMB58.0 billion in 2022 to RMB76.9 billion in 2023. Our gross profit margin increased from 17.6% in 2022 to 19.2% in 2023, mainly because (i) the unit economics of our batteries improved despite a decrease in average selling price, driven by the competitive strengths of our innovative products; and (ii) the average selling price of our batteries was reduced in response to decrease in the prices of raw materials including lithium carbonate, which, combined with improving unit economics, drove an increase in gross profit margin.

Our gross profit for sales of EV batteries increased by 54.7% from RMB33.4 billion in 2022 to RMB51.7 billion in 2023, and our gross profit margin increased from 14.1% to 18.1% for the same period.

Our gross profit for sales of ESS batteries increased by 77.9% from RMB6.3 billion in 2022 to RMB11.2 billion in 2023, and our gross profit margin increased from 14.0% to 18.7% for the same period.

FINANCIAL INFORMATION

Research and Development Expenses

Our research and development expenses increased from RMB15.5 billion in 2022 to RMB18.4 billion in 2023, primarily because we increased our R&D investments.

Administrative and Other Operating Expenses

Our administrative and other operating expenses increased from RMB8.1 billion in 2022 to RMB10.5 billion in 2023, primarily due to increased taxes and surcharges in line with our business growth.

Selling Expenses

Our selling expenses increased from RMB2.5 billion in 2022 to RMB3.0 billion in 2023, which was generally in line with our revenue growth.

Other Income

Our other income increased from RMB7.0 billion in 2022 to RMB14.9 billion in 2023, primarily attributable to higher interest income as a result of an increase in our bank deposit balance.

Other Gains and Losses, Net

We recognized net other gains of RMB1.3 billion and RMB0.4 billion in 2022 and 2023, respectively. The decrease was primarily due to a decrease in our net foreign exchange gain.

FINANCIAL INFORMATION

Impairment Losses

Our impairment losses increased from RMB4.0 billion in 2022 to RMB6.1 billion in 2023, primarily due to an increase in impairment losses related to our property, plant and equipment and intangible assets, partially offset by a decrease in impairment losses on inventories.

Finance Costs

Our finance costs increased from RMB2.1 billion in 2022 to RMB3.4 billion in 2023, primarily due to higher interest expenses from increased borrowings in line with our business expansion.

Share of Results of Associates and Joint Ventures, Net

Our net share of results of associates and joint ventures increased from RMB2.6 billion in 2022 to RMB3.7 billion in 2023, mainly because the number of our associates and joint ventures increased.

Income Tax Expense

Our income tax expense amounted to RMB3.2 billion in 2022 and RMB7.2 billion in 2023, primarily reflecting the growth in our profit before tax.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 41.5% from RMB33.5 billion in 2022 to RMB47.3 billion in 2023. Our net profit margin was 10.2% and 11.8% in 2022 and 2023, respectively.

FINANCIAL INFORMATION

DISCUSSION OF CERTAIN KEY ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth a breakdown of our consolidated statements of financial position as of the dates indicated.

	As of December 31,		As of
	2022	2023	September 30,
	RMB'000		2024
Non-current assets			
Property, plant and equipment	126,763,261	145,095,647	140,383,315
Right-of-use assets	8,475,065	9,016,403	10,004,956
Goodwill	704,065	707,882	883,701
Intangible assets	1,914,033	7,037,407	5,339,739
Investments in associates and joint ventures	17,595,207	50,027,694	54,175,331
Financial assets at FVTPL	2,645,307	2,816,190	2,980,958
Financial assets at FVTOCI	20,491,264	14,128,318	13,024,738
Prepayments, deposits and other assets	25,145,633	21,154,913	22,556,687
Deferred tax assets	9,483,660	17,395,585	22,121,063
Total non-current assets	213,217,495	267,380,039	271,470,488
Current assets			
Inventories	76,668,899	45,433,890	55,215,275
Trade and bills receivables	61,492,601	65,772,258	66,995,151
Contract assets	174,863	233,964	363,142
Prepayments, deposits and other assets	37,735,999	21,339,971	21,999,230
Financial assets at FVTPL	1,981,328	7,767	22,002,410
Financial assets at FVTOCI	18,965,715	55,289,319	40,403,230
Derivative financial instruments	575,638	—	—
Bank balances, deposits and cash	190,139,815	261,710,833	259,786,078
Total current assets	387,734,858	449,788,002	466,764,516
Current liabilities			
Trade and bills payables	191,747,512	167,825,751	165,846,800
Contract liabilities	22,444,785	23,982,352	22,651,662
Other payables and accruals	55,704,573	58,963,987	52,134,081
Borrowings	21,534,521	22,059,847	31,159,182
Lease liabilities	113,106	106,299	92,853
Derivative financial instruments	—	3,941,410	2,499,377
Income tax payable	4,216,924	10,121,425	6,686,743
Total current liabilities	295,761,421	287,001,071	281,070,698

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	As of December 31,		As of September 30,
	2022	2023	2024
	<i>RMB'000</i>		
Non-current liabilities			
Other payables and accruals	19,966,702	46,866,869	22,176,102
Contract liabilities	6,910,284	6,093,840	5,460,757
Borrowings	79,327,247	104,035,996	98,899,221
Lease liabilities	572,350	283,296	716,797
Deferred tax liabilities	1,807,813	1,364,906	1,180,577
Provisions	19,697,375	51,638,913	65,430,209
Total non-current liabilities	128,281,771	210,283,820	193,863,663

Property, Plant and Equipment

Our property, plant and equipment mainly consisted of machinery, properties and buildings, and construction in progress. The following table sets forth a breakdown of our property, plant and equipment as of the dates indicated.

	As of December 31,		As of September 30,
	2022	2023	2024
	<i>RMB'000</i>		
Machinery	54,981,089	60,149,929	53,138,458
Properties and buildings	32,683,496	52,654,217	53,359,073
Construction in progress	35,397,651	25,011,907	25,200,974
Exterior facilities and others	2,294,776	4,695,780	4,528,857
Special equipment	178,047	1,289,463	2,895,452
Electronic equipment	1,057,767	1,036,339	987,415
Transportation equipment	98,286	102,201	107,877
Other equipment	72,149	155,811	165,209
Total	126,763,261	145,095,647	140,383,315

Our property, plant and equipment amounted to RMB126.8 billion, RMB145.1 billion and RMB140.4 billion as of December 31, 2022 and 2023 and September 30, 2024, respectively. Our property, plant and equipment increased from RMB126.8 billion as of December 31, 2022 to RMB145.1 billion as of December 31, 2023, primarily attributable to an increase in properties and buildings of RMB20.0 billion, which reflected the expansion of our production capacity to meet customer demand. Our property, plant and equipment amounted to RMB140.4 billion as of September 30, 2024 and remained stable as compared to December 31, 2023.

FINANCIAL INFORMATION

Intangible Assets

Our intangible assets primarily consisted of patent rights and non-patented technologies, software, mining and exploration rights, as well as trademarks and domain names. Our intangible assets increased from RMB1.9 billion as of December 31, 2022 to RMB7.0 billion as of December 31, 2023, primarily because we newly acquired certain mining rights. Our intangible assets decreased to RMB5.3 billion as of September 30, 2024, primarily related to the impairment of certain mining rights.

Investments in Associates and Joint Ventures

We have invested in a number of associates and joint ventures. As of December 31, 2022 and 2023 and September 30, 2024, our investments in associates and joint ventures amounted to RMB17.6 billion, RMB50.0 billion and RMB54.2 billion, respectively.

Financial Assets at FVTPL

The following table sets forth the details of our financial assets at FVTPL as of the dates indicated.

	As of December 31,		As of
	2022	2023	September 30,
			2024
	RMB'000		
Non-current			
– Equity investments at fair value	2,645,307	2,816,190	2,980,958
Current			
– Wealth management products and structured deposits	1,981,328	7,767	22,002,410
Total	4,626,635	2,823,957	24,983,368

Our financial assets at FVTPL as of December 31, 2022 and 2023 and September 30, 2024 amounted to RMB4.6 billion, RMB2.8 billion and RMB25.0 billion, respectively, primarily reflecting our purchase and disposal of wealth management products and structured deposits.

Our assets subject to Level 3 fair value measurement mainly included equity investment in unlisted entities at FVTPL and equity investment in unlisted entities at FVTOCI. These assets and liabilities were measured mainly using market approach, net asset approach and consensus pricing. For the assumptions utilized in our Level 3 fair value measurement, see Note 45 to the Accountants’ Report as set out in Appendix I to this document.

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We have established management systems to oversee the investments in financial products. Adhering to prudent investment principles, we conduct investment activities with an aim to improve capital utilization efficiency and investment returns on cash assets. Our finance department manages our wealth management portfolio, primarily including the preparation of our annual wealth management plan, handling wealth management products, and conducting daily management and accounting procedures. Our internal audit department maintains daily oversight of wealth management products, including full-process audits, reviewing the approval, implementation, and performance of wealth management products. It ensures timely processing and verification of accounting records by the finance department, with timely reporting to senior management. In addition, we adhere to all applicable laws, regulations, and management policies regarding the proper disclosure of investment information.

Following the [REDACTED], our investments in financial products will be conducted in accordance with the provisions of Chapter 14 of the Listing Rules.

Financial Assets at FVTOCI

The following table sets forth the details of our financial assets at FVTOCI as of the dates indicated.

	As of December 31,		As of
	2022	2023	September 30,
			2024
	RMB'000		
Non-current			
– Equity investments at fair value	20,491,264	14,128,318	13,024,738
Current			
– Trade and bills receivables measured at FVTOCI	18,965,715	55,289,319	40,403,230
Total	39,456,979	69,417,637	53,427,968

The non-current portion of our financial assets at FVTOCI consisted of equity investments which are not held for trading. Our equity investments primarily included our investments in the equity of certain companies that are not traded on the open market. Such investments were classified as financial assets at FVTOCI with Level 3 fair value measurement. For details, see “— Financial Assets at FVTPL.” The current portion of our financial assets at FVTOCI represented trade and bills receivables measured at FVTOCI.

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Our financial assets at FVTOCI were RMB39.5 billion, RMB69.4 billion and RMB53.4 billion as of December 31, 2022 and 2023 and September 30, 2024, respectively. The increase in our financial assets at FVTOCI from December 31, 2022 to December 31, 2023 was primarily due to an increase in receivables measured at FVTOCI as a result of an increase in our revenue. The decrease in our financial assets at FVTOCI as of September 30, 2024 was primarily due to a decrease in bills receivable from our customers for settlement of goods.

Prepayments, Deposits and Other Assets

The following table sets forth the details of our prepayments, deposits and other assets as of the dates indicated.

	As of December 31,		As of
	2022	2023	September 30,
			2024
	RMB'000		
Non-current			
Prepayment on construction and			
equipment	11,766,627	8,077,426	11,092,976
Deposit	7,913,875	8,779,715	8,689,720
Prepayment for inventories	4,097,041	3,170,453	2,053,888
Finance lease receivables	44,316	9,840	112,981
Others	1,323,774	1,117,479	607,122
	25,145,633	21,154,913	22,556,687
Current			
Deposits and other assets	8,792,816	3,648,556	3,731,693
Prepayments	15,843,284	6,962,873	6,887,338
Other tax receivables	11,360,316	7,863,809	6,239,810
Interest receivables	903,595	2,595,682	4,891,845
Finance lease receivables	403,712	56,828	200,636
Prepaid corporate income tax	360,193	349,675	150,782
Others	186,519	72,540	186,932
Less: ECL allowance	(114,436)	(209,992)	(289,806)
	37,735,999	21,339,971	21,999,230
Total	62,881,632	42,494,884	44,555,917

The non-current portion of our prepayments, deposits and other assets remained stable at RMB25.1 billion, RMB21.2 billion and RMB22.6 billion as of December 31, 2022 and 2023 and September 30, 2024, respectively.

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The current portion of our prepayments, deposits and other assets decreased from RMB37.7 billion as of December 31, 2022 to RMB21.3 billion as of December 31, 2023, primarily due to reduced prepayments and deposits in accordance with business needs. Our prepayments, deposits and other assets remained stable at RMB22.0 billion as of September 30, 2024.

Deferred Tax Assets

Our deferred tax assets increased from RMB9.5 billion as of December 31, 2022 to RMB17.4 billion as of December 31, 2023, and further to RMB22.1 billion as of September 30, 2024, primarily reflecting a temporary difference between the recognition of amortization and depreciation and the recognition of the corresponding tax losses.

Inventories

Our inventories primarily consisted of finished goods, work in progress, raw materials and costs to fulfil a contract. The following table sets forth details of our inventories as of the dates indicated.

	As of December 31,		As of
	2022	2023	September 30,
			2024
	RMB'000		
Finished goods	59,504,149	33,609,112	37,187,837
Work in progress	15,716,914	10,080,744	12,050,867
Raw materials	5,196,430	5,055,901	8,250,988
Costs to fulfil a contract	1,317,956	1,271,307	3,229,448
	81,735,449	50,017,064	60,719,140
Less: provision for impairment	(5,066,550)	(4,583,174)	(5,503,865)
Total	76,668,899	45,433,890	55,215,275

Our inventories decreased from RMB76.7 billion as of December 31, 2022 to RMB45.4 billion as of December 31, 2023 despite increasing sales volumes, primarily because (i) we continued to strengthen inventory turnover and optimize inventory management, and (ii) the prices of certain raw materials declined. Our inventories increased from RMB45.4 billion as of December 31, 2023 to RMB55.2 billion as of September 30, 2024, primarily resulting from our higher production and sales volumes.

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The following is an aging analysis of our inventories as of the dates indicated.

	As of December 31,		As of September 30,
	2022	2023	2024
	<i>RMB'000</i>		
Within 1 year	81,514,230	48,277,010	58,347,829
Over 1 year	221,219	1,740,054	2,371,311
Total	81,735,449	50,017,064	60,719,140

The following table sets forth our inventory turnover days for the years/periods indicated.

	For the year ended December 31,		For the nine months ended September 30,
	2022	2023	2024
Inventory turnover days ⁽¹⁾	78.8	68.8	69.9

Note:

- (1) Inventory turnover days are calculated as the average of the beginning and ending balance of inventories for the year/period divided by the cost of sales for that year/period and multiplied by 365 days (for a year) or 270 days (for the nine-month period).

Our inventory turnover days were 78.8 days, 68.8 days and 69.9 days in 2022, 2023 and the nine months ended September 30, 2024, respectively. The decrease in our inventory turnover days from 2022 to 2023 was primarily because we strengthened inventory turnover and optimized inventory management. Our inventory turnover days remained stable during the nine months ended September 30, 2024 as compared to 2023.

As of December 31, 2024, we had utilized 86.2%, or RMB52.3 billion, of our inventories as of September 30, 2024.

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Trade and Bills Receivables

Our trade and bills receivables primarily consisted of outstanding amounts payable by third parties and related parties.

The following table sets forth details of our trade and bills receivables as of the dates indicated.

	As of December 31,		As of September 30,
	2022	2023	2024
	<i>RMB'000</i>		
Trade receivables	59,797,036	66,065,457	69,535,300
Less: ECL allowance	(1,830,519)	(2,044,923)	(2,832,590)
Trade receivables, net	57,966,517	64,020,534	66,702,710
Bills receivables	3,526,084	1,751,724	292,441
Trade and bills receivables	61,492,601	65,772,258	66,995,151

Our trade and bills receivables increased from RMB61.5 billion as of December 31, 2022 to RMB65.8 billion as of December 31, 2023, and further increased to RMB67.0 billion as of September 30, 2024.

The credit period granted to our customers was generally within 60 days during the Track Record Period. The following is an aging analysis of our trade receivables, based on the date of revenue recognition, net of ECL allowance, as of the dates indicated.

	As of December 31,		As of September 30,
	2022	2023	2024
	<i>RMB'000</i>		
Within 1 year	57,901,029	63,442,438	65,754,231
Over 1 year but within 2 years	65,486	573,217	928,196
Over 2 years	2	4,879	20,283
Trade receivables, net	57,966,517	64,020,534	66,702,710

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The following table sets forth our trade and bills receivables turnover days for the years/periods indicated.

	For the year ended December 31,		For the nine months ended September 30,
	2022	2023	2024
Trade and bills receivables turnover days ⁽¹⁾	48.2	57.9	69.2

Note:

- (1) Calculated as the average of the beginning and ending balance of trade and bills receivables for the year/period divided by the revenue for that year/period and multiplied by 365 days (for a year) or 270 days (for the nine-month period).

Our trade and bills receivables turnover days were 48.2 days, 57.9 days and 69.2 days for the years ended December 31, 2022 and 2023 and the nine months ended September 30, 2024. The increase in our trade and bills receivables turnover days was primarily due to the more significant change in revenue compared to the change in average trade and bills receivables for the same period, resulting from the decrease in average selling price of our products.

As of December 31, 2024, RMB63.5 billion, or 91.3% of our trade receivables as of September 30, 2024 had been settled.

Bank Balances, Deposits and Cash

Our bank balances, deposits and cash consisted of cash and cash equivalents as well as time deposits and restricted funds.

As of December 31, 2022 and 2023 and September 30, 2024, our bank balances, deposits and cash amounted to RMB190.1 billion, RMB261.7 billion and RMB259.8 billion, respectively.

Trade and Bills Payables

Our trade and bills payables primarily related to the purchase of raw materials and equipment.

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The following table sets forth details of our trade and bills payables as of the dates indicated.

	As of December 31,		As of
	2022	2023	September 30,
			2024
	RMB'000		
Trade payables	65,518,044	90,310,810	102,195,261
Bills payables	126,229,468	77,514,941	63,651,539
Trade and bills payables	191,747,512	167,825,751	165,846,800

Our trade and bills payables decreased from RMB191.7 billion as of December 31, 2022 to RMB167.8 billion as of December 31, 2023, primarily attributable to the settlement of bills payables due and a decrease in the issuance of new bills, which was partially offset by an increase in trade payables. Our trade and bills payables amounted to RMB165.8 billion as of September 30, 2024 and remained stable compared to the end of 2023.

The credit period granted by our suppliers was generally within 90 days during the Track Record Period. As of the end of each year/period of the Track Record Period, there were no significant trade payables aged over one year based on invoice date. As of the end of each year/period during the Track Record Period, no matured bills payable were unpaid.

As of December 31, 2024, RMB46.2 billion, or 45.2% of our trade payables as of September 30, 2024 had been settled.

Contract Liabilities

Our contract liabilities refer to the obligation to transfer goods to customers in consideration of payments received or receivable from customers. Contract liabilities are incurred when the payment schedule agreed under the contract is ahead of the performance of contract obligations. Our contract liabilities remained stable at RMB29.4 billion, RMB30.1 billion and RMB28.1 billion as of December 31, 2022 and 2023 and September 30, 2024.

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Other Payables and Accruals

Our other payables and accruals mainly include deferred income, construction and equipment payables and employee benefits payables. The following table sets forth details of our other payables and accruals as of the dates indicated.

	As of December 31,		As of
	2022	2023	September 30,
			2024
	<i>RMB'000</i>		
Non-current			
Deferred income	19,966,702	21,448,987	21,899,574
Premium payables on acquiring			
mining right	–	170,256	156,653
Redemption liability	–	25,247,626	–
Other payables	–	–	119,875
	19,966,702	46,866,869	22,176,102
Current			
Construction and equipment payables . .	29,016,932	26,727,963	20,944,754
Employee benefits payables	9,476,018	14,846,251	17,368,872
Deposits received	8,055,298	8,763,865	5,511,717
Other tax liabilities	2,197,550	3,712,029	4,384,277
Accrued expenses	3,077,310	3,258,954	2,359,270
Dividend payables	8,320	29,916	22,722
Premium payables on acquiring mining			
right	–	23,740	19,548
Others	3,873,145	1,601,269	1,522,921
	55,704,573	58,963,987	52,134,081
Total	75,671,275	105,830,856	74,310,183

The non-current portion of our other payables and accruals increased from RMB20.0 billion as of December 31, 2022 to RMB46.9 billion as of December 31, 2023, then decreased to RMB22.2 billion as of September 30, 2024. This fluctuation was primarily because we recorded redemption liability of RMB25.2 billion as of December 31, 2023 due to minority shareholders of our subsidiaries holding put-back rights pursuant to the relevant agreements.

The current portion of our other payables and accruals remained stable at RMB55.7 billion, RMB59.0 billion and RMB52.1 billion as of December 31, 2022 and 2023 and September 30, 2024, respectively.

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Derivative Financial Instruments

Our derivative financial instruments mainly include foreign exchange risk contracts and commodity price risk contracts. We have established a sound management system for our hedging activities and a comprehensive internal control policy. To further strengthen our management of hedging of futures, forward contracts and other derivative products, enhance and optimize the operational procedures of offshore futures, forward contracts and other derivative products, and ensure the achievement of our production and operational objectives, we have set up a leading group, a working group and a risk control group. We are supported by professionals in investment decision-making, business operation and risk control, with well-defined duties and responsibilities.

As of December 31, 2022 and 2023 and September 30, 2024, our derivative financial instruments recorded as current assets amounted to RMB0.6 billion, nil and nil, respectively. As of the same dates, our derivative financial instruments recorded as current liabilities amounted to nil, RMB3.9 billion and RMB2.5 billion, respectively.

Provisions

Our provisions primarily consisted of after-sale service fees and sale rebates. We undertake the maintenance obligation of the battery products sold within the warranty period. Our provisions increased from RMB19.7 billion as of December 31, 2022 to RMB51.6 billion as of December 31, 2023, and further increased to RMB65.4 billion as of September 30, 2024 mainly due to an increase in potential after-sales service obligations and sale rebates resulting from higher sales volume.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash during the Track Record Period were to fund the construction of our manufacturing bases, product research and development, among other working capital needs. Historically, we have financed our operations and other capital requirements primarily through cash generated from our business operations, bank borrowings, debt financing and equity financing.

Our anticipated cash needs primarily relate to our business operations, expansion of production capacity, and product research and development. We expect to fund our future working capital and other cash requirements primarily with cash generated from our operations, bank borrowings and other financing activities (including the [REDACTED] from the [REDACTED]).

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As of December 31, 2024, the latest practicable date for determining our indebtedness, we had cash and cash equivalent of [REDACTED]. As of the same date, we had unutilized banking facilities of [REDACTED]. Taking into account our internal resources, our cash flow from operating activities and the estimated [REDACTED] from the [REDACTED], our Directors believe that the working capital available to us is sufficient at present and for at least the next 12 months from the date of this document.

Net Current Assets

The following table sets forth a summary of our current assets and liabilities as of the dates indicated:

	As of December 31,		As of	As of
	2022	2023	September 30,	December 31,
			2024	2024
	RMB'000			(Unaudited)
Current assets				
Inventories	76,668,899	45,433,890	55,215,275	[REDACTED]
Trade and bills				
receivables	61,492,601	65,772,258	66,995,151	[REDACTED]
Contract assets	174,863	233,964	363,142	[REDACTED]
Prepayments, deposits				
and other assets	37,735,999	21,339,971	21,999,230	[REDACTED]
Financial assets at				
FVTPL	1,981,328	7,767	22,002,410	[REDACTED]
Financial assets at				
FVTOCI	18,965,715	55,289,319	40,403,230	[REDACTED]
Derivative financial				
instruments	575,638	—	—	[REDACTED]
Bank balances, deposits				
and cash	190,139,815	261,710,833	259,786,078	[REDACTED]
Total current assets	387,734,858	449,788,002	466,764,516	[REDACTED]
Current liabilities				
Trade and bills payables .	191,747,512	167,825,751	165,846,800	[REDACTED]
Contract liabilities	22,444,785	23,982,352	22,651,662	[REDACTED]
Other payables and				
accruals	55,704,573	58,963,987	52,134,081	[REDACTED]
Borrowings	21,534,521	22,059,847	31,159,182	[REDACTED]
Lease liabilities	113,106	106,299	92,853	[REDACTED]
Derivative financial				
instruments	—	3,941,410	2,499,377	[REDACTED]
Income tax payable	4,216,924	10,121,425	6,686,743	[REDACTED]
Total current liabilities .	295,761,421	287,001,071	281,070,698	[REDACTED]
Net current assets	91,973,437	162,786,931	185,693,818	[REDACTED]

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We had net current assets of RMB92.0 billion, RMB162.8 billion, RMB185.7 billion and [REDACTED] as of December 31, 2022 and 2023, September 30, 2024 and December 31, 2024, respectively.

Our net current assets increased from RMB92.0 billion as of December 31, 2022 to RMB162.8 billion as of December 31, 2023, primarily attributable to an increase in current assets as a result of: (i) an increase of RMB71.6 billion in bank balances, deposits and cash, and (ii) an increase of RMB36.3 billion in financial assets at FVTOCI; this increase was partially offset by a decrease of RMB31.2 billion in inventories, as well as a decrease in current liabilities primarily as a result of a decrease of RMB23.9 billion in trade and bills payables.

Our net current assets increased from RMB162.8 billion as of December 31, 2023 to RMB185.7 billion as of September 30, 2024, primarily attributable to an increase in current assets primarily as a result of: (i) an increase of RMB22.0 billion in financial assets at FVTPL, and (ii) an increase of RMB9.8 billion in inventories, as well as a decrease in current liabilities primarily as a result of a decrease of RMB6.8 billion in other payables and accruals.

Our net current assets increased from RMB185.7 billion as of September 30, 2024 to [REDACTED] as of December 31, 2024, primarily attributable to the increase in current assets, including: (i) an increase in bank balances, deposits and cash of [REDACTED], and (ii) an increase in financial assets at fair value through other comprehensive income of [REDACTED]; this increase was partially offset by higher current liabilities, primarily from an increase in trade and bills payable of [REDACTED] and an increase in borrowings of [REDACTED].

Summary of Consolidated Statements of Cash Flow

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

	For the year ended December 31,		For the nine months ended September 30,	
	2022	2023	2023	2024
	RMB'000			
	(Unaudited)			
Net cash generated from				
operating activities	61,208,844	92,826,125	52,653,692	67,443,601
Net cash used in investing				
activities	(64,139,843)	(29,187,763)	(19,937,130)	(47,894,482)
Net cash generated				
from/(used in) financing				
activities	82,266,431	14,716,362	14,850,658	(20,495,680)

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	For the year ended December 31,		For the nine months ended September 30,	
	2022	2023	2023	2024
	<i>RMB'000</i>			
	<i>(Unaudited)</i>			
Net increase/(decrease) in				
cash and cash equivalents .	79,335,432	78,354,724	47,567,220	(946,561)
Cash and cash equivalents at				
beginning of the				
year/period	75,505,735	157,629,318	157,629,318	238,165,487
Effect of exchange rate				
changes	2,788,151	2,181,445	1,928,721	(2,265,022)
Cash and cash equivalents at				
the end of the year/period .	<u>157,629,318</u>	<u>238,165,487</u>	<u>207,125,259</u>	<u>234,953,904</u>

Operating Activities

Net cash generated from operating activities for the nine months ended September 30, 2024 was RMB67.4 billion, primarily due to proceeds from sales of goods of RMB317.5 billion, partially offset by (i) cash paid for material and services of RMB220.6 billion, and (ii) cash paid for salaries of RMB19.3 billion.

Net cash generated from operating activities in 2023 was RMB92.8 billion, primarily due to proceeds from sales of goods of RMB417.9 billion, partially offset by (i) cash paid for material and services of RMB310.5 billion, and (ii) cash paid for salaries of RMB21.1 billion.

Net cash generated from operating activities in 2022 was RMB61.2 billion, primarily due to proceeds from sales of goods of RMB305.8 billion, partially offset by (i) cash paid for material and services of RMB235.3 billion, and (ii) cash paid for salaries of RMB18.2 billion.

Investing Activities

Net cash used in investing activities for the nine months ended September 30, 2024 was RMB47.9 billion, primarily due to (i) net payments for investments in associates and joint ventures and financial assets at fair value (total investments in associates and joint ventures and financial assets at fair value minus proceeds from disposal of these financial assets) of RMB28.4 billion, and (ii) net payments for purchase of property, plant and equipment, intangible assets and prepaid lease payments (total payment for purchase of property, plant and equipment, intangible assets and prepaid lease payments minus proceeds from disposal of these assets) of RMB21.2 billion.

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Net cash used in investing activities in 2023 was RMB29.2 billion, primarily due to net payments for purchase of property, plant and equipment, intangible assets and prepaid lease payments (total payments for purchase of property, plant and equipment, intangible assets and prepaid lease payments minus proceeds from disposal of these assets) of RMB33.6 billion, partially offset by net proceeds from disposal of associates and joint ventures and financial assets (total proceeds from disposal of associates and joint ventures and financial assets minus payment for investments in these assets) of RMB2.0 billion.

Net cash used in investing activities in 2022 was RMB64.1 billion, primarily due to (i) net payments for purchase of property, plant and equipment, intangible assets and prepaid lease payments (total payments for purchase of property, plant and equipment, intangible assets and prepaid lease payments minus proceeds from disposal of these assets) of RMB48.2 billion, and (ii) net payments for investments in associates and joint ventures and financial assets at fair value (total payments for investments in associates and joint ventures and financial assets at fair value minus proceeds from disposal of these assets) of RMB11.5 billion.

Financing Activities

Net cash used in financing activities for the nine months ended September 30, 2024 was RMB20.5 billion, primarily due to (i) dividends paid to owners of our Company of RMB22.1 billion, and (ii) repayment of borrowings of RMB14.0 billion, partially offset by proceeds from borrowings of RMB17.8 billion.

Net cash generated from financing activities in 2023 was RMB14.7 billion, primarily due to proceeds from borrowings of RMB46.6 billion, partially offset by (i) repayment of borrowings of RMB23.8 billion, and (ii) dividends paid to owners of our Company of RMB6.1 billion.

Net cash generated from financing activities in 2022 was RMB82.3 billion, primarily due (i) proceeds from borrowings of RMB56.0 billion, and (ii) proceeds from private placement and restricted share plan of RMB45.4 billion, partially offset by repayment of borrowings of RMB17.6 billion.

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INDEBTEDNESS

As of December 31, 2022 and 2023, September 30, 2024 and December 31, 2024, the most recent practicable date for determining our indebtedness, except as disclosed in the table below, we did not have any material indebtedness.

	As of December 31,		As of September 30,	As of December 31,
	2022	2023	2024	2024
	RMB'000			(Unaudited)
Current				
Borrowings	21,534,521	22,059,847	31,159,182	[REDACTED]
Lease liabilities	113,106	106,299	92,853	[REDACTED]
	21,647,627	22,166,146	31,252,035	[REDACTED]
Non-current				
Borrowings	79,327,247	104,035,996	98,899,221	[REDACTED]
Lease liabilities	572,350	283,296	716,797	[REDACTED]
	79,899,597	104,319,292	99,616,018	[REDACTED]
Total	101,547,224	126,485,438	130,868,053	[REDACTED]

Borrowings

During the Track Record Period, our borrowings mainly included bank borrowings and corporate bonds. As of December 31, 2022 and 2023 and September 30, 2024, we had total borrowings of RMB100.9 billion, RMB126.1 billion and RMB130.1 billion, respectively.

During the Track Record Period, our borrowings were obtained from commercial banks and financial institutions, with the effective interest rates ranging from 0.65% to 6.61% per annum. Our bank borrowings agreements contain standard terms, conditions and covenants that are customary for commercial bank loans. In addition, we have the contractual obligation to repurchase certain equity interest in entities controlled by us and third parties according to the investment agreements and partnership agreements. For details, see Note 32 to the Accountants’ Report as set out in Appendix I of this document.

As of December 31, 2024, we had total borrowings of [REDACTED]. The majority of our bank borrowings were unsecured as of the same date.

During the Track Record Period, our corporate bonds were listed and/or issued on the Shenzhen Stock Exchange, the Hong Kong Stock Exchange and the China Interbank Bond Market. Our corporate bonds amounted to RMB22.3 billion, RMB19.4 billion, RMB19.3 billion and [REDACTED] as of December 31, 2022 and 2023, September 30, 2024 and December 31, 2024, respectively.

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Our Directors confirm that there had not been any material default on our part in the payment of borrowings, or material breaches of covenants during the Track Record Period and up to the Latest Practicable Date.

Lease Liabilities

During the Track Record Period, our lease liabilities were primarily in relation to our lease of land use rights and buildings used in its operations. We recorded lease liabilities in aggregate of RMB0.7 billion, RMB0.4 billion, RMB0.8 billion and [REDACTED] as of December 31, 2022 and 2023, September 30, 2024 and December 31, 2024, respectively.

Contingent Liabilities

As of December 31, 2024, we did not have any material contingent liabilities. Our Directors confirm that there was no material change in our contingent liabilities from December 31, 2024 to the Latest Practicable Date.

CAPITAL EXPENDITURE

The details of our capital expenditure during the Track Record Period are summarized as follows.

	For the year ended December 31,		For the nine months ended September 30,
	2022	2023	2024
	RMB'000		
Construction in progress	65,758,746	43,300,590	17,142,054
Machinery	217,754	436,435	375,867
Properties and buildings	12,895	130,422	177,694
Exterior facilities and others	326,769	261,893	90,894
Special equipment	2,327	129,430	222,864
Electronic equipment	21,461	47,307	30,620
Transportation equipment	33,653	18,472	22,857
Other equipment	13,006	13,904	1,812
Total	66,386,611	44,338,453	18,064,662

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CAPITAL COMMITMENTS

Our capital commitments at the end of each year/period during the Track Record Period primarily represented contracted but unprovided commitments for property, plant and equipment, and subscribed capital contribution of associated companies. As of December 31, 2022 and 2023 and September 30, 2024, our capital commitments amounted to RMB51.5 billion, RMB9.9 billion and RMB13.9 billion, respectively.

RELATED PARTY TRANSACTIONS

For details of our related party transactions during the Track Record Period, see Note 43 to the Accountants’ Report as set out in Appendix I to this document.

We enter into transactions with our related parties from time to time. Our Directors are of the view that each of the related party transactions in Note 43 to the Accountants’ Report as set out in Appendix I to this document was conducted in the ordinary course of business on an arm’s length basis and on normal commercial terms between the relevant parties. Our Directors are of the view that our related party transactions during the Track Record Period would not distort our track record results or cause our historical results to become non-reflective of our future performance.

KEY FINANCIAL RATIOS

The following table set forth our key financial ratios as of the dates or for the years/periods indicated.

	For the year ended/as of December 31,		For the nine months ended/as of September 30,
	2022	2023	2024
Net profit margin	10.2%	11.8%	15.0%
Return on equity (ROE) ⁽¹⁾	24.7%	24.7%	22.1%
Current ratio ⁽²⁾	1.3	1.6	1.7
Quick ratio ⁽³⁾	1.1	1.4	1.5
Debt-to-asset ratio ⁽⁴⁾	70.6%	69.3%	64.3%
Interest-bearing debt ratio ⁽⁵⁾	16.8%	17.6%	17.6%
Operating cash flow conversion ratio ⁽⁶⁾ .	1.8	2.0	1.7

Notes:

- (1) Return on equity (ROE) is calculated by dividing the profit attributable to owners of the Company for the year/period by the average of equity attributable to owners of the Company at the beginning and the end of the respective year/period. For the nine months ended September 30, 2024, ROE is annualized by multiplying the number by 4/3.
- (2) The current ratio is calculated as current assets divided by current liabilities as of the relevant date.

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- (3) The quick ratio is defined as current assets minus inventories, divided by current liabilities as of the relevant date.
- (4) The debt-to-asset ratio is calculated by dividing the total liabilities by the total assets as of the relevant date.
- (5) The interest-bearing debt ratio is calculated as interest-bearing debt divided by total assets as of the relevant date.
- (6) Operating cash flow conversion ratio is defined as the ratio of the cash flow generated from operating activities during the year/period over the profit for the same year/period.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any material off-balance sheet commitments and arrangements.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

We are exposed to various market risks, including foreign currency risk, price risk, interest rate risk, credit risk and liquidity risk as set out below. We manage and monitor these exposures to ensure appropriate measures are implemented in a timely and effective manner. For more details, including relevant sensitivity analysis, see Note 46 to the Accountants’ Report as set out in Appendix I of this document.

Foreign Currency Risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

We are exposed to currency risks primarily through sales and purchases which give rise to receivables, payables, interest-bearing borrowings and bank balances that are denominated in a foreign currency, i.e., a currency other than the functional currency of the entities to which the transactions relate. The foreign currencies giving rise to this risk are primarily USD and EUR.

Foreign currency risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the respective functional currency of our subsidiaries. To ensure our currency risk exposure is kept to an acceptable level and aiming to minimize the gap between assets and liabilities in the same currency, foreign exchange contracts (i.e., forward foreign exchange contracts) are usually used to manage foreign currency risk associated with foreign currency-denominated assets and liabilities.

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Price Risk

Equity Price Risk

We are exposed to equity price risk mainly arising from equity investments held by us that are classified as FVTOCI which will not be sold within one year.

Sensitivity analysis is performed by our management to assess exposure of our financial results to equity price risk measured at FVTOCI at the end of each period during the Track Record Period. If prices of the equity investments classified at FVTOCI held by us had been 10% higher/lower as of December 31, 2022 and 2023 and September 30, 2024, profit before income tax for the Track Record Period would have been RMB926.0 million, RMB457.5 million and RMB576.6 million higher/lower, respectively as a result of gains/losses on equity investments classified at FVTOCI.

Commodity Price Risk

Commodity price fluctuation did not have a material impact on our profits before income tax and cash flows during the Track Record Period as we used derivative financial instruments (including commodity price risk contracts) to manage a portion of the associated risks.

Other Price Risk

We are exposed to other price risk. Major financial assets for the purpose of other price sensitivity analysis include financial assets at FVTPL (other than equity investments).

It is estimated that an increase/decrease of 10% in other price risk would increase/decrease of RMB198.1 million, RMB0.8 million and RMB2,200.2 million in our profit before income tax for the years ended December 31, 2022 and 2023 and the nine months ended September 30, 2024, respectively, as a result of gains/losses on financial instruments classified as at FVTPL.

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Interest Rate Risk

Our interest rate risk primarily arises from long-term interest-bearing borrowings, corporate bonds and lease liabilities. Long-term borrowings issued at variable rates expose us to cash flow interest rate risk. Long-term borrowings issued at fix rates, bond payables and lease liabilities bearing fixed rates expose us to fair value interest rate risk.

We have been monitoring the level of interest rates. The increase in the interest rates will increase the interest costs of borrowings at variable rates, which will further impact our performance. To hedge against the variability in the cash flows arising from a change in market interest rates, we may enter into certain interest rate swap contracts to swap variable rates into fixed rates.

Credit Risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to us. Our exposure to credit risk mainly arises from granting credit to customers in the ordinary course of our operations and from our investing activities.

Our maximum exposure to credit risk is represented by the carrying amount of each financial asset measured at amortised cost and trade and bills receivables measured at FVTOCI as disclosed in Note 44 to the Accountants’ Report as set out in Appendix I to this document.

Liquidity Risk

We aim to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, we maintain flexibility in funding by maintaining adequate balances of such.

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DIVIDENDS

During the Track Record Period, we declared cash dividends to our Shareholders as follows.

For the year ended December 31,		For the nine months ended September 30,	
2022	2023	2023	2024
RMB'000			
(Unaudited)			

Dividends attributable to the year/period

Interim dividend	1,593,064	—	—	—
Final and special dividend . . .	—	6,154,689	6,154,810	22,058,085

As of the Latest Practicable Date, we had paid these dividends in full.

After the completion of the [REDACTED], we may distribute dividends in the form of cash or by other means permitted by our Articles of Association. A decision to declare or to pay dividends in the future and the amount of dividends will be at the discretion of our Board and will depend on a number of factors, including our results of operations, cash flows, financial condition, payments by our subsidiaries of cash dividends to us, business prospects, statutory and regulatory restrictions on our declaration and payment of dividends and other factors that our Board may consider important. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the relevant laws. Our Shareholders may approve any declaration of dividends.

According to applicable laws in mainland China and our Articles of Association, we will pay dividends out of our profit after tax only after we have made the following allocations: recovery of the losses incurred in the previous year; allocations to the statutory reserve equivalent to 10% of our profit after tax; allocations to a discretionary common reserve of certain percentage of our profit after tax that are approved by Shareholders’ general meeting.

DISTRIBUTABLE RESERVES

As of September 30, 2024, we had approximately RMB117.8 billion of retained profits available for distribution to our Shareholders.

FINANCIAL INFORMATION

[REDACTED] EXPENSES

[REDACTED] expenses to be borne by us are estimated to be approximately HK\$[REDACTED] (based on an [REDACTED] of HK\$[REDACTED] per Share), representing approximately [REDACTED]% of the estimated [REDACTED] from the [REDACTED] assuming no Shares are issued pursuant to the [REDACTED]. The [REDACTED] expenses consist of (i) [REDACTED]-related expenses, including [REDACTED], of approximately HK\$[REDACTED], and (ii) non-[REDACTED]-related expenses of approximately HK\$[REDACTED], comprising (a) fees and expenses of our legal advisors and reporting accountants of approximately HK\$[REDACTED], and (b) other fees and expenses of approximately HK\$[REDACTED]. During the Track Record Period, we did not incur any [REDACTED] expenses. Subsequent to the Track Record Period, approximately HK\$[REDACTED] is expected to be charged to our consolidated statements of profit or loss, and approximately HK\$[REDACTED] is expected to be accounted for as a deduction from equity upon the [REDACTED]. We do not believe any of the above fees or expenses are material or are unusually high for our Group. The [REDACTED] expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

UNAUDITED [REDACTED] ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited [REDACTED] statement of adjusted consolidated net tangible assets of our Group prepared in accordance with Rule 4.29 of the Listing Rules is to illustrate the effect of the [REDACTED] on the net tangible assets of our Group attributable to owners of the Company as of September 30, 2024 as if the [REDACTED] had taken place on that date.

The unaudited [REDACTED] statement of adjusted consolidated net tangible assets of our Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not provide a true picture of the net tangible assets of our Group attributable to owners of our Company had the [REDACTED] been completed as of September 30, 2024 or at any future date. No adjustment has been made to the unaudited [REDACTED] adjusted consolidated net tangible assets to reflect any trading results or open transactions of our Group entered into subsequent to September 30, 2024.

[REDACTED]

FINANCIAL INFORMATION

[REDACTED]

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the Latest Practicable Date, there had been no material adverse change in our business, financial condition and results of operations since September 30, 2024, which is the end date of the years/period reported on in the Accountants’ Report as set out in Appendix I to this document, and there is no event since September 30, 2024 which would materially affect the information in the Accountants’ Report as set out in Appendix I to this document.

Special Dividend Distribution for 2024

Our Special Dividend and Interests Distribution Plan for 2024 was reviewed and approved at the First Extraordinary General Meeting of 2024 held on December 26, 2024. A cash dividend of RMB12.30 (tax inclusive) per 10 Shares was to be paid to all the then Shareholders based on our share capital of 4,387,474,934 Shares, which excludes the 15,991,524 Shares repurchased in the dedicated account for repurchased securities. This special dividend distribution was completed in January 2025.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, they were not aware of any circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.