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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 promote 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. As of December 31, 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. As of December 31, 2024, our EV batteries were installed in over 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. Our revenue decreased by 9.7% from RMB400.9 billion in 2023 to RMB362.0 billion in 2024. Our profit increased by 41.5% from RMB33.5 billion in 2022 to RMB47.3 billion in 2023, and further increased by 16.8% to RMB55.3 billion in 2024.

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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.

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.

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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.

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.

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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.

In order to strengthen customer cooperation and promote product sales, we negotiate sales rebates with selected customers based on factors including sales volume and market development, and set purchase targets and other conditions. Once these conditions are met, corresponding rebates will be provided as agreed upon. Such sale rebate terms are variable considerations. For the contracts that contain sales rebate, we estimate the amount of consideration to which we will be entitled using either (a) the expected value or (b) the most likely amount, depending on which method better predicts the amount of consideration to which we will be entitled. The expected value is an estimated amount calculated on the basis of the various possible amounts of consideration that could occur under the sales rebates terms and their related probabilities. The most likely amount is the single amount that is most likely to occur in a range of possible amounts of consideration.

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.

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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, 2023 and 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 RMB64.7 billion (net of ECL allowance of RMB2.7 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.

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; and
- Right-of-use assets.

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

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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.

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.

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As of December 31, 2022, 2023 and 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 RMB162.2 billion (net of impairment losses of RMB10.8 billion), respectively.

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 indicated.

	For the year ended December 31,					
	2022		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>
Revenue	328,593,988	100.0	400,917,045	100.0	362,012,554	100.0
Cost of sales.	(270,629,780)	(82.4)	(323,982,130)	(80.8)	(273,518,959)	(75.6)
Gross profit.	57,964,208	17.6	76,934,915	19.2	88,493,595	24.4
Research and development expenses.	(15,510,453)	(4.7)	(18,356,108)	(4.6)	(18,606,756)	(5.1)
Administrative and other operating expenses . .	(8,103,787)	(2.5)	(10,526,439)	(2.6)	(11,952,257)	(3.3)
Selling expenses.	(2,519,230)	(0.8)	(3,042,744)	(0.8)	(3,562,797)	(1.0)
Other income	7,047,244	2.1	14,883,428	3.7	19,514,964	5.4
Other gains and losses, net	1,285,908	0.4	410,724	0.1	15,342	0.0
Impairment losses	(3,973,175)	(1.2)	(6,107,968)	(1.5)	(9,295,851)	(2.6)
Finance costs	(2,132,375)	(0.6)	(3,446,516)	(0.9)	(3,879,076)	(1.1)
Share of results of associates and joint ventures, net	2,614,517	0.8	3,745,762	0.9	3,743,040	1.0
Profit before income tax	36,672,857	11.2	54,495,054	13.6	64,470,204	17.8
Income tax expense	(3,215,713)	(1.0)	(7,153,019)	(1.8)	(9,175,245)	(2.5)
Profit for the year	33,457,144	10.2	47,342,035	11.8	55,294,959	15.3
Profit for the year attributable to:						
Owners of the Company.	30,729,164	9.4	44,702,249	11.1	52,032,846	14.4
Non-controlling interests	2,727,980	0.8	2,639,786	0.7	3,262,113	0.9

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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 indicated.

	For the year ended December 31,					
	2022		2023		2024	
	RMB'000	%	RMB'000	%	RMB'000	%
EV batteries	236,593,497	72.0	285,252,917	71.2	253,041,337	69.9
ESS batteries	44,980,277	13.7	59,900,522	14.9	57,290,460	15.8
Battery materials and recycling	26,031,514	7.9	33,602,284	8.4	28,699,935	7.9
Battery mineral resources	4,508,633	1.4	7,734,151	1.9	5,493,003	1.5
Others ⁽¹⁾	16,480,067	5.0	14,427,171	3.6	17,487,819	4.8
Total	328,593,988	100.0	400,917,045	100.0	362,012,554	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.

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 11.3% from RMB285.3 billion in 2023 to RMB253.0 billion in 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, primarily driven by the increasing customer demand for our products. Our revenue from sales of ESS batteries decreased by 4.4% from RMB59.9 billion in 2023 to RMB57.3 billion in 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 ESS batteries continued to grow, primarily attributable to (i) our technological advantages,

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economies of scale, and strong customer base in the ESS battery sector, and (ii) the continuous robust growth of market demand for ESS batteries, propelled by clean energy transition initiatives across countries. These initiatives drive the increasing proportion of installed capacity of wind and solar power, higher requirements for power system flexibility, advancements in energy storage technology, and declining ESS costs.

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

	For the year ended December 31,					
	2022		2023		2024	
	RMB'000	%	RMB'000	%	RMB'000	%
Mainland China	251,670,828	76.6	269,924,895	67.3	251,677,045	69.5
Other countries/ regions ⁽¹⁾	76,923,160	23.4	130,992,150	32.7	110,335,509	30.5
Total	328,593,988	100.0	400,917,045	100.0	362,012,554	100.0

Note:

- (1) Primarily including revenue from Europe, the U.S. and other countries/regions, among which revenue from Europe accounted for the largest proportion.

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.

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

	For the year ended December 31,					
	2022		2023		2024	
	RMB'000	%	RMB'000	%	RMB'000	%
Direct materials	226,656,083	83.8	255,662,877	78.9	202,723,479	74.1
Others	43,973,697	16.2	68,319,253	21.1	70,795,480	25.9
Total	270,629,780	100.0	323,982,130	100.0	273,518,959	100.0

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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 15.6% from RMB324.0 billion in 2023 to RMB273.5 billion in 2024, primarily due to decrease in the prices of raw materials, including lithium carbonate, partially offset by the increase in sales volume.

The direct materials in our cost of sales primarily comprise cathode, anode, separator, and electrolyte. These materials are significantly affected by the prices of metals or commodities such as lithium, nickel and cobalt. Due to fluctuations in these material prices and market supply-demand conditions, our material procurement prices and volumes also vary accordingly.

In 2022, 2023 and 2024, our direct materials costs (as part of cost of sales) were RMB226.7 billion, RMB255.7 billion and RMB202.7 billion, respectively. For illustrative purposes only, assuming that all other factors affecting our financial performance remain constant (including assuming that material price fluctuations cannot be passed on to customers through price adjustment mechanisms), the sensitivity analysis of the impact of fluctuations in the average price of direct materials being 1% and 5% (the actual average fluctuation may be smaller as we use various types of materials in our production) on our profit before income tax during the Track Record Period is as follows:

	For the years ended December 31,		
	2022	2023	2024
	<i>(RMB in million)</i>		
Fluctuations in the average price of direct materials			
-/+1%	+/-2,267	+/-2,557	+/-2,027
-/+5%	+/-11,333	+/-12,783	+/-10,136

The average price fluctuations of direct materials illustrated above only account for variations in a single factor. Our operating performance is influenced by the interplay of multiple factors, including continuous supply chain optimization, price adjustment mechanisms, and commodity hedging. To address material price fluctuations and supply risks, we take measures in areas such as self-operated mining and production of raw materials, investment partnerships, and long-term procurement agreements, while continuously deepening our global supply chain layout and improving our supply chain management system. Meanwhile, we have included price adjustment mechanisms in our framework sales agreement or supplementary agreements, giving us flexibility to adjust the pricing of our products when supply and demand or basic business conditions change. In addition, we engage in commodity hedging to effectively manage the risks of significant price fluctuations and enhance the stability and sustainability of our operating performance.

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The price of raw materials including lithium carbonate showed a downward trend amid fluctuations during the Track Record Period. Its impact on our results of operations included: (i) for revenue, the average selling price of our products was reduced in response to decrease in the prices of raw materials including lithium carbonate, which in turn affected the growth rate of our revenue; (ii) for cost of sales, our direct material cost per unit decreased, which was attributable to the decrease in price of raw materials including lithium carbonate; our direct materials costs were also affected by the interplay of multiple factors, including continuous supply chain optimization and technological innovation; and (iii) for gross profit margin, the average selling price of our battery products was reduced in response to decrease in the cost of raw materials including lithium carbonate, which, combined with our stable and improving unit economics, led to the consequent increase of our gross profit margin.

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

	For the year ended December 31,					
	2022		2023		2024	
	RMB'000	%	RMB'000	%	RMB'000	%
EV batteries	203,174,610	75.1	233,547,579	72.1	192,461,282	70.4
ESS batteries	38,698,025	14.3	48,726,092	15.0	41,914,003	15.3
Battery materials and recycling	20,506,030	7.6	29,777,745	9.2	25,682,916	9.4
Battery mineral resources	3,956,846	1.5	6,197,890	1.9	5,024,611	1.8
Others ⁽¹⁾	4,294,269	1.6	5,732,824	1.8	8,436,147	3.1
Total	270,629,780	100.0	323,982,130	100.0	273,518,959	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 indicated.

	For the year ended December 31,					
	2022		2023		2024	
	<i>Gross profit</i>		<i>Gross profit</i>		<i>Gross profit</i>	
	<i>Gross profit</i>	<i>margin</i>	<i>Gross profit</i>	<i>margin</i>	<i>Gross profit</i>	<i>margin</i>
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
EV batteries	33,418,887	14.1	51,705,338	18.1	60,580,055	23.9
ESS batteries	6,282,252	14.0	11,174,430	18.7	15,376,457	26.8
Battery materials and recycling	5,525,484	21.2	3,824,539	11.4	3,017,019	10.5
Battery mineral resources	551,787	12.2	1,536,261	19.9	468,392	8.5
Others	12,185,798	73.9	8,694,347	60.3	9,051,672	51.8
Total	<u>57,964,208</u>	17.6	<u>76,934,915</u>	19.2	<u>88,493,595</u>	24.4

Our gross profit increased by 32.7% from RMB58.0 billion in 2022 to RMB76.9 billion in 2023, and further increased by 15.0% to RMB88.5 billion in 2024. Our gross profit margin increased from 17.6% in 2022 to 19.2% in 2023, and further increased to 24.4% in 2024. Our gross profit margin showed continued growth during the Track Record Period, mainly attributable to the increases in gross profit margins for sales of EV batteries and ESS batteries.

The increases in gross profit margins for sales of EV batteries and ESS batteries were 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.

Our gross profit margin for battery materials and recycling business decreased during the Track Record Period, mainly because the price of lithium carbonate showed a downward trend amid fluctuations during the Track Record Period, leading to a corresponding decrease in the prices of raw materials, including cathode materials. As a result, the average selling price of our battery materials and recycled metal products decreased, leading to a decrease in gross profit margin for our battery materials and recycling business.

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Our gross profit margin for battery mineral resources business showed notable variability, mainly because the prices of raw materials including lithium and nickel experienced significant fluctuations during the Track Record Period, leading to changes in the gross profit margin for our battery mineral resources business.

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 indicated.

	For the year ended December 31,					
	2022		2023		2024	
	RMB'000	%	RMB'000	%	RMB'000	%
Employee benefit expenses . .	6,139,594	39.6	7,421,248	40.4	7,561,191	40.6
Material costs	6,364,041	41.0	5,396,630	29.4	5,845,226	31.4
Others ⁽¹⁾	3,006,818	19.4	5,538,230	30.2	5,200,339	27.9
Total.	<u>15,510,453</u>	<u>100.0</u>	<u>18,356,108</u>	<u>100.0</u>	<u>18,606,756</u>	<u>100.0</u>

Note:

- (1) Primarily including depreciation and amortization costs, development and design expenses, and administrative and office expenses.

Our research and development expenses as a percentage of our revenue remained stable during the Track Record Period, accounting for 4.7%, 4.6% and 5.1% of our revenue in 2022, 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.

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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 indicated.

	For the year ended December 31,					
	2022		2023		2024	
	RMB'000	%	RMB'000	%	RMB'000	%
Employee benefit expenses	4,177,011	51.5	4,551,375	43.2	4,707,167	39.4
Taxes and surcharges	907,484	11.2	1,695,508	16.1	2,057,466	17.2
Depreciation and amortization costs	927,730	11.4	1,577,059	15.0	2,059,630	17.2
Administrative and office expenses	760,790	9.4	736,399	7.0	1,248,011	10.4
Share-based payments	178,691	2.2	262,482	2.5	293,558	2.5
Business expenses	107,078	1.3	184,114	1.7	240,942	2.0
Service fees	217,632	2.7	369,107	3.5	204,953	1.7
Others	827,371	10.2	1,150,395	10.9	1,140,530	9.5
Total	8,103,787	100.0	10,526,439	100.0	11,952,257	100.0

Our administrative and other operating expenses as a percentage of our revenue increased slightly during the Track Record Period, accounting for 2.5%, 2.6% and 3.3% of our revenue in 2022, 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, 2023 and 2024, our selling expenses amounted to RMB2.5 billion, RMB3.0 billion and RMB3.6 billion, respectively.

Our selling expenses as a percentage of our revenue remained stable during the Track Record Period, accounting for 0.8%, 0.8% and 1.0% of our revenue in 2022, 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 further increased to RMB19.5 billion in 2024.

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Other Gains and Losses, Net

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

	For the year ended December 31,		
	2022	2023	2024
	RMB'000		
Fair value gains on financial assets at fair value through profit or loss (“FVTPL”)	400,241	46,270	664,223
Loss on disposal of property, plant and equipment, right-of-use assets and intangible assets	(43,252)	(38,574)	(238,169)
Gains on disposal/deemed disposal of investments in subsidiaries, associates and joint ventures, net	354,947	328,073	1,695,808
Interest income from financial assets at FVTPL	52,937	26,759	179,608
Losses from derecognition of financial assets at FVTOCI	(530,397)	(636,725)	(396,983)
Net foreign exchange gains/(losses) . . .	1,162,628	421,518	(1,287,050)
Others	(111,196)	263,403	(602,095)
Total	<u>1,285,908</u>	<u>410,724</u>	<u>15,342</u>

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, 2023 and 2024, our impairment losses amounted to RMB4.0 billion, RMB6.1 billion and RMB9.3 billion, respectively.

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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 indicated.

	For the year ended December 31,		
	2022	2023	2024
		RMB'000	
Interest expense on borrowings	2,167,340	3,720,103	4,088,479
Interest expense on lease liabilities	27,977	17,783	60,706
	2,195,317	3,737,886	4,149,185
Less: interest capitalized	(62,942)	(291,370)	(270,109)
	<u>2,132,375</u>	<u>3,446,516</u>	<u>3,879,076</u>

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 and RMB3.7 billion in 2022, 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 2024, we recorded income tax expenses of RMB3.2 billion, RMB7.2 billion and RMB9.2 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, among which the income tax rates of the subsidiaries in Germany and Hungary are 30.175% to 32.975% and 11.3%, respectively.

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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

We recorded a profit of RMB33.5 billion, RMB47.3 billion and RMB55.3 billion in 2022, 2023 and 2024, respectively.

YEAR-TO-YEAR COMPARISON OF RESULTS OF OPERATIONS

Year Ended December 31, 2024 Compared to Year Ended December 31, 2023

Revenue

Our revenue decreased by 9.7% from RMB400.9 billion in 2023 to RMB362.0 billion in 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 11.3% from RMB285.3 billion in 2023 to RMB253.0 billion in 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 decreased by 4.4% from RMB59.9 billion in 2023 to RMB57.3 billion in 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 ESS batteries.

Cost of Sales

Our cost of sales decreased by 15.6% from RMB324.0 billion in 2023 to RMB273.5 billion in 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 15.0% from RMB76.9 billion in 2023 to RMB88.5 billion in 2024. Our gross profit margin increased from 19.2% in 2023 to 24.4% in 2024, mainly due to the increase in the gross profit margin for sales of EV batteries and ESS batteries.

Our gross profit for sales of EV batteries increased by 17.2% from RMB51.7 billion in 2023 to RMB60.6 billion in 2024, and our gross profit margin increased from 18.1% to 23.9% for the same year. Our gross profit for sales of ESS batteries increased by 37.6% from RMB11.2 billion in 2023 to RMB15.4 billion in 2024, and our gross profit margin increased from 18.7% to 26.8% for the same year. The increase in the gross profit margin for sales of EV

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batteries and ESS batteries was 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.

The decrease in our gross profit margin for battery materials and recycling business was mainly because the price of lithium carbonate showed a downward trend amid fluctuations, leading to a corresponding decrease in the prices of raw materials, including cathode materials. As a result, the average selling price of our battery materials and recycled metal products decreased, leading to a decrease in gross profit margin for our battery materials and recycling business.

The decrease in our gross profit margin for battery mineral resources business was mainly because the prices of raw materials including lithium and nickel decreased from 2023 to 2024, leading to a decrease in the gross profit margin for our battery mineral resources business.

Research and Development Expenses

Our research and development expenses increased from RMB18.4 billion in 2023 to RMB18.6 billion in 2024, primarily due to the increased material costs related to R&D activities as we continued to increase our investment in R&D, partially offset by declined prices for raw materials related to R&D activities.

Administrative and Other Operating Expenses

Our administrative and other operating expenses increased from RMB10.5 billion in 2023 to RMB12.0 billion in 2024, primarily due to an increase in administrative and office expenses, depreciation and amortization cost, and taxes and surcharges as we expanded our business.

Selling Expenses

Our selling expenses increased from RMB3.0 billion in 2023 to RMB3.6 billion in 2024, primarily due to our business expansion and enhanced brand building efforts.

Other Income

Our other income increased from RMB14.9 billion in 2023 to RMB19.5 billion in 2024, primarily due to increased interest income as a result of an increase in bank deposit balance.

Other Gains and Losses, Net

We recorded net other gains of RMB0.4 billion and RMB15.3 million in 2023 and 2024, respectively, primarily due to a decrease in net foreign exchange gain.

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Impairment Losses

Our impairment losses increased from RMB6.1 billion in 2023 to RMB9.3 billion in 2024, primarily due to an increase in impairment related to our inventories.

Finance Costs

Our finance costs increased from RMB3.4 billion in 2023 to RMB3.9 billion in 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 remained stable at RMB3.7 billion and RMB3.7 billion in 2023 and 2024, respectively.

Income Tax Expenses

Our income tax expense increased from RMB7.2 billion in 2023 to RMB9.2 billion in 2024, 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 16.8% from RMB47.3 billion in 2023 to RMB55.3 billion in 2024. Our net profit margin was 11.8% and 15.3% in 2023 and 2024, respectively.

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.

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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 due to the increase in the gross profit margin for sales of EV batteries and ESS batteries.

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. The increase in the gross profit margin for sales of EV batteries and ESS batteries was 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.

The decrease in our gross profit margin for battery materials and recycling business was mainly because the price of raw materials including lithium carbonate showed a downward trend amid fluctuations, leading to a corresponding decrease in the prices of battery materials, including cathode materials. As a result, the average selling price of our battery materials and products of recycling business decreased, leading to a decrease in gross profit margin for our battery materials and recycling business.

The increase in our gross profit margin for battery mineral resources business was mainly because some of our self-operated lithium mines commenced production in 2023, which had a relatively higher gross profit margin than existing battery mineral resources business based on the price of lithium carbonate during the year, resulting in an increase in the gross profit margin of our battery mineral resources business.

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.

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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.

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, primarily in relation to the upgrades or adjustments made to certain machinery, 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.

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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,		
	2022	2023	2024
	RMB'000		
Non-current assets			
Property, plant and equipment	126,763,261	145,095,647	146,937,736
Right-of-use assets	8,475,065	9,016,403	10,003,361
Goodwill	704,065	707,882	894,757
Intangible assets	1,914,033	7,037,407	5,306,438
Investments in associates and joint ventures	17,595,207	50,027,694	54,791,525
Financial assets at FVTPL	2,645,307	2,816,190	3,135,658
Financial assets at FVTOCI	20,491,264	14,128,318	11,900,901
Prepayments, deposits and other assets	25,145,633	21,154,913	19,426,825
Deferred tax assets	9,483,660	17,395,585	24,118,834
Total non-current assets	213,217,495	267,380,039	276,516,035
Current assets			
Inventories	76,668,899	45,433,890	59,835,533
Trade and bills receivables	61,492,601	65,772,258	64,265,913
Contract assets	174,863	233,964	400,626
Prepayments, deposits and other assets	37,735,999	21,339,971	19,804,706
Financial assets at FVTPL	1,981,328	7,767	14,282,253
Financial assets at FVTOCI	18,965,715	55,289,319	53,309,701
Derivative financial instruments	575,638	—	—
Bank balances, deposits and cash	190,139,815	261,710,833	298,243,356
Total current assets	387,734,858	449,788,002	510,142,088
Current liabilities			
Trade and bills payables	191,747,512	167,825,751	179,476,484
Contract liabilities	22,444,785	23,982,352	27,834,446
Other payables and accruals	55,704,573	58,963,987	57,141,230
Borrowings	21,534,521	22,059,847	42,373,738
Lease liabilities	113,106	106,299	182,379
Derivative financial instruments	—	3,941,410	2,116,017
Income tax payable	4,216,924	10,121,425	8,047,240
Total current liabilities	295,761,421	287,001,071	317,171,534

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	As of December 31,		
	2022	2023	2024
	RMB'000		
Non-current liabilities			
Other payables and accruals	19,966,702	46,866,869	22,197,549
Contract liabilities	6,910,284	6,093,840	5,400,795
Borrowings	79,327,247	104,035,996	94,611,079
Lease liabilities	572,350	283,296	662,814
Deferred tax liabilities	1,807,813	1,364,906	1,231,236
Provisions	19,697,375	51,638,913	71,926,943
Total non-current liabilities	128,281,771	210,283,820	196,030,416

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,		
	2022	2023	2024
	RMB'000		
Machinery	54,981,089	60,149,929	51,794,473
Properties and buildings	32,683,496	52,654,217	56,522,165
Construction in progress	35,397,651	25,011,907	29,754,703
Exterior facilities and others	2,294,776	4,695,780	4,593,980
Special equipment	178,047	1,289,463	2,953,344
Electronic equipment	1,057,767	1,036,339	993,923
Transportation equipment	98,286	102,201	169,534
Other equipment	72,149	155,811	155,614
Total	126,763,261	145,095,647	146,937,736

Our property, plant and equipment amounted to RMB126.8 billion, RMB145.1 billion and RMB146.9 billion as of December 31, 2022, 2023 and 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 RMB146.9 billion as of December 31, 2024 and remained stable as compared to December 31, 2023.

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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 December 31, 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, 2023 and 2024, our investments in associates and joint ventures amounted to RMB17.6 billion, RMB50.0 billion and RMB54.8 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,		
	2022	2023	2024
	RMB'000		
Non-current			
– Equity investments at fair value	2,645,307	2,816,190	3,135,658
Current			
– Wealth management products and structured deposits	1,981,328	7,767	14,282,253
Total	4,626,635	2,823,957	17,417,911

Our financial assets at FVTPL as of December 31, 2022, 2023 and 2024 amounted to RMB4.6 billion, RMB2.8 billion and RMB17.4 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 that specify the approval authority, information disclosure, authorization management, operation processes, financial accounting, supervision and risk control procedures of our wealth management activities, so as to standardize our financial product investments. The types of wealth management products we choose are low-risk products with high safety and good liquidity. 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,		
	2022	2023	2024
	RMB'000		
Non-current			
– Equity investments at fair value	20,491,264	14,128,318	11,900,901
Current			
– Trade and bills receivables measured at FVTOCI	18,965,715	55,289,319	53,309,701
Total	39,456,979	69,417,637	65,210,602

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.

Our financial assets at FVTOCI were RMB39.5 billion, RMB69.4 billion and RMB65.2 billion as of December 31, 2022, 2023 and 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 December 31, 2024 was primarily due to a decrease in bills receivable from our customers for settlement of goods.

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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,		
	2022	2023	2024
	RMB'000		
Non-current			
Prepayment on construction and equipment	11,766,627	8,077,426	8,910,741
Deposit	7,913,875	8,779,715	8,504,151
Prepayment for inventories	4,097,041	3,170,453	1,732,644
Finance lease receivables	44,316	9,840	151,342
Others	1,323,774	1,117,479	127,947
	25,145,633	21,154,913	19,426,825
Current			
Deposits and other assets	8,792,816	3,648,556	2,590,956
Prepayments	15,843,284	6,962,873	5,969,685
Other tax receivables	11,360,316	7,863,809	6,199,640
Interest receivables	903,595	2,595,682	5,268,637
Finance lease receivables	403,712	56,828	72,972
Prepaid corporate income tax	360,193	349,675	37,804
Others	186,519	72,540	49,021
Less: ECL allowance	(114,436)	(209,992)	(384,009)
	37,735,999	21,339,971	19,804,706
Total	62,881,632	42,494,884	39,231,531

The non-current portion of our prepayments, deposits and other assets remained stable at RMB25.1 billion, RMB21.2 billion and RMB19.4 billion as of December 31, 2022, 2023 and 2024, respectively.

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, and further decreased to RMB19.8 billion as of December 31, 2024, primarily due to reduced prepayments and deposits in accordance with business needs.

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 increased to RMB24.1 billion as of December 31, 2024, primarily reflecting a temporary difference between the recognition of amortization and depreciation and the recognition of the corresponding tax losses.

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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,		
	2022	2023	2024
	RMB'000		
Finished goods	59,504,149	33,609,112	38,994,567
Work in progress	15,716,914	10,080,744	11,788,174
Raw materials	5,196,430	5,055,901	11,427,292
Costs to fulfil a contract	1,317,956	1,271,307	3,684,683
	81,735,449	50,017,064	65,894,716
Less: provision for impairment	(5,066,550)	(4,583,174)	(6,059,183)
Total	76,668,899	45,433,890	59,835,533

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 RMB59.8 billion as of December 31, 2024, primarily resulting from our higher production and sales volumes.

As of December 31, 2022, 2023 and 2024, our costs to fulfill a contract were RMB1.3 billion, RMB1.3 billion and RMB3.7 billion, respectively, which primarily related to sales of specialized equipment capacity, transportation costs, storage fees, and tariffs related to the shipment of goods.

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

	As of December 31,		
	2022	2023	2024
	RMB'000		
Within 1 year	81,514,230	48,277,010	63,791,866
Over 1 year	221,219	1,740,054	2,102,850
Total	81,735,449	50,017,064	65,894,716

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

	For the year ended December 31,		
	2022	2023	2024
Inventory turnover days ⁽¹⁾	78.8	68.8	70.2

Note:

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

Our inventory turnover days were 78.8 days, 68.8 days and 70.2 days in 2022, 2023 and 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 in 2024 as compared to 2023.

As of March 31, 2025, we had utilized 84.3%, or RMB55.6 billion, of our inventories as of December 31, 2024.

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,		
	2022	2023	2024
	<i>RMB'000</i>		
Trade receivables	59,797,036	66,065,457	66,776,402
Less: ECL allowance	(1,830,519)	(2,044,923)	(2,640,892)
Trade receivables, net	57,966,517	64,020,534	64,135,510
Bills receivables	3,526,084	1,751,724	130,403
Trade and bills receivables	61,492,601	65,772,258	64,265,913

Our trade and bills receivables increased from RMB61.5 billion as of December 31, 2022 to RMB65.8 billion as of December 31, 2023. Our trade and bills receivables amounted to RMB64.3 billion as of December 31, 2024.

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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,		
	2022	2023	2024
	<i>RMB'000</i>		
Within 3 months	53,359,623	59,991,749	59,868,001
Over 3 months but within 1 year	4,541,406	3,448,307	3,850,339
Over 1 year	65,488	580,478	417,170
Trade receivables, net	<u>57,966,517</u>	<u>64,020,534</u>	<u>64,135,510</u>

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

	For the year ended December 31,		
	2022	2023	2024
Trade and bills receivables turnover days ⁽¹⁾	48.2	57.9	65.6

Note:

- (1) Calculated as the average of the beginning and ending balance of trade and bills receivables for the year divided by the revenue for that year and multiplied by 365 days.

Our trade and bills receivables turnover days were 48.2 days, 57.9 days and 65.6 days for the years ended December 31, 2022, 2023 and 2024. Our trade and bills receivables turnover days increased from 48.2 days in 2022 to 57.9 days in 2023, primarily because the increase in revenue from 2022 to 2023 was slower than the increase in the average of the beginning and ending balance of trade and bills receivables over the same period. Our trade and bills receivables turnover days further increased to 65.6 days in 2024, mainly due to the decrease in revenue from 2023 to 2024, while the average of the beginning and ending balance of trade and bills receivables increased over the same period.

As of March 31, 2025, RMB58.2 billion, or 87.2% of our trade receivables as of December 31, 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.

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As of December 31, 2022, 2023 and 2024, our bank balances, deposits and cash amounted to RMB190.1 billion, RMB261.7 billion and RMB298.2 billion, respectively.

Trade and Bills Payables

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

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

	As of December 31,		
	2022	2023	2024
	<i>RMB'000</i>		
Trade payables	65,518,044	90,310,810	112,120,161
Bills payables	126,229,468	77,514,941	67,356,323
Trade and bills payables	191,747,512	167,825,751	179,476,484

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 RMB179.5 billion as of December 31, 2024, representing an increase from December 31, 2023, primarily due to an increase in trade payables, partially offset by a decrease in bills payables.

The credit period granted by our suppliers was generally within 90 days during the Track Record Period. As of the end of each year 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 during the Track Record Period, no matured bills payable were unpaid.

As of March 31, 2025, RMB46.9 billion, or 41.9% of our trade payables as of December 31, 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, primarily representing prepayments 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 RMB33.2 billion as of December 31, 2022, 2023 and 2024, respectively.

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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,		
	2022	2023	2024
	RMB'000		
Non-current			
Deferred income	19,966,702	21,448,987	22,041,069
Premium payables on acquiring mining right	–	170,256	156,480
Redemption liability	–	25,247,626	–
	19,966,702	46,866,869	22,197,549
Current			
Construction and equipment payables . .	29,016,932	26,727,963	18,857,247
Employee benefits payables	9,476,018	14,846,251	18,653,079
Deposits received	8,055,298	8,763,865	4,478,969
Other tax liabilities	2,197,550	3,712,029	3,447,398
Accrued expenses	3,077,310	3,258,954	4,541,876
Dividend payables	8,320	29,916	5,400,161
Premium payables on acquiring mining right	–	23,740	21,582
Others	3,873,145	1,601,269	1,740,918
	55,704,573	58,963,987	57,141,230
Total	75,671,275	105,830,856	79,338,779

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 December 31, 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 RMB57.1 billion as of December 31, 2022, 2023 and 2024, respectively.

Derivative Financial Instruments

Our derivative financial instruments mainly include commodity price risk contracts and foreign exchange risk contracts, primarily using options, futures and forward contracts as trading instruments. Our main products, EV batteries and ESS batteries, require raw materials such as nickel, lithium, aluminum, copper, and cobalt in production operations. We conduct

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commodity hedging activities to effectively manage the risks of significant price fluctuations of such raw materials and enhance the stability and sustainability of our operating performance. In addition, as our overseas business continues to expand, the demand for settlement in foreign currencies continues to increase. To better reduce and prevent exchange rate or interest rate risks relating to overseas businesses and to enhance our financial stability, we engage in foreign exchange hedging activities accordingly. During the Track Record Period, our commodity price risk contracts and foreign exchange risk contracts, after offsetting spot gains and losses, generally achieved the expected risk management objectives.

We have established a sound management system for our hedging activities and a comprehensive internal control policy. Our management system clearly stipulate the approval authority, organizational structure and responsibilities, authorization management, execution processes and risk control procedures for hedging activities. 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, 2023 and 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 RMB2.1 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 RMB71.9 billion as of December 31, 2024 mainly due to an increase in potential after-sales service obligations and sale rebates resulting from higher sales volume. Our provision for after-sale service fee is best estimated based on the cumulative sales volume of battery products within warranty period, estimated unit maintenance costs, expected maintenance rates, and other factors. During the Track Record Period, due to our expanded sales, the total anticipated after-sales service fees under warranty agreements increased. Taking into consideration factors including market conditions and sales volume, and after negotiating with customers, we enter into sales rebates agreements with selected customers and make corresponding provisions for sales rebates. Our policies of making provisions for sales rebates are consistent with market practices. During the Track Record Period, our provisions for sales rebates increased, primarily due to the increased sales rebates provided to customers, which were adjusted after negotiating with customers from time to time and taking into consideration various factors including the growth of sales volume, deepened cooperation with customers, establishment of long-term strategic relationships and market development.

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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]).

As of March 31, 2025, the latest practicable date for determining our indebtedness, we had cash and cash equivalent of RMB286.3 billion. As of the same date, we had unutilized banking facilities of RMB329.5 billion. 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
	2022	2023	2024	March 31,
				2025
	RMB'000			(Unaudited)
Current assets				
Inventories	76,668,899	45,433,890	59,835,533	65,639,666
Trade and bills receivables . .	61,492,601	65,772,258	64,265,913	60,350,906
Contract assets	174,863	233,964	400,626	261,473
Prepayments, deposits and other assets	37,735,999	21,339,971	19,804,706	23,478,787
Financial assets at FVTPL . . .	1,981,328	7,767	14,282,253	21,421,660
Financial assets at FVTOCI . .	18,965,715	55,289,319	53,309,701	43,910,963
Derivative financial instruments	575,638	—	—	—
Bank balances, deposits and cash	190,139,815	261,710,833	298,243,356	315,235,089
Total current assets	387,734,858	449,788,002	510,142,088	530,298,544

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	As of December 31,			As of
	2022	2023	2024	March 31, 2025
	RMB'000			(Unaudited)
Current liabilities				
Trade and bills payables	191,747,512	167,825,751	179,476,484	191,098,136
Contract liabilities	22,444,785	23,982,352	27,834,446	37,088,532
Other payables and accruals .	55,704,573	58,963,987	57,141,230	51,745,115
Borrowings	21,534,521	22,059,847	42,373,738	38,588,316
Lease liabilities	113,106	106,299	182,379	183,934
Derivative financial instruments	–	3,941,410	2,116,017	899,889
Income tax payable	4,216,924	10,121,425	8,047,240	8,604,831
Total current liabilities	295,761,421	287,001,071	317,171,534	328,208,753
Net current assets	91,973,437	162,786,931	192,970,554	202,089,791

We had net current assets of RMB92.0 billion, RMB162.8 billion, RMB193.0 billion and RMB202.1 billion as of December 31, 2022, 2023 and 2024, and March 31, 2025, 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 RMB193.0 billion as of December 31, 2024, primarily attributable to an increase in current assets, mainly including: (i) an increase of RMB36.5 billion in bank balances, deposits and cash, (ii) an increase of RMB14.4 billion in inventories, and (iii) an increase of RMB14.3 billion in financial assets at FVTPL; this increase was partially offset by an increase in current liabilities, primarily due to (i) an increase of RMB20.3 billion in borrowings, and (ii) an increase of RMB11.7 billion in trade and bills payables.

Our net current assets increased from RMB193.0 billion as of December 31, 2024 to RMB202.1 billion as of March 31, 2025, primarily attributable to an increase in current assets, mainly including: (i) an increase of RMB17.0 billion in bank balances, deposits and cash, and (ii) an increase of RMB7.1 billion in financial assets at FVTPL; this increase was partially offset by an increase in current liabilities, primarily due to (i) an increase of RMB11.6 billion in trade and bills payables, and (ii) an increase of RMB9.3 billion in contract liabilities.

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Summary of Consolidated Statements of Cash Flow

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

	For the year ended December 31,		
	2022	2023	2024
		RMB'000	
Net cash generated from operating activities	61,208,844	92,826,125	96,990,344
Net cash used in investing activities . . .	(64,139,843)	(29,187,763)	(48,875,311)
Net cash generated from/(used in) financing activities	82,266,431	14,716,362	(14,524,234)
Net increase in cash and cash equivalents	79,335,432	78,354,724	33,590,799
Cash and cash equivalents at beginning of the year	75,505,735	157,629,318	238,165,487
Effect of exchange rate changes	2,788,151	2,181,445	(1,596,552)
Cash and cash equivalents at the end of the year	157,629,318	238,165,487	270,159,734

Operating Activities

Net cash generated from operating activities in 2024 was RMB97.0 billion, primarily due to proceeds from sales of goods of RMB417.5 billion, partially offset by (i) cash paid for material and services of RMB285.5 billion, (ii) income tax and other taxes paid of RMB28.5 billion, and (iii) cash paid for salaries of RMB25.5 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 in 2024 was RMB48.9 billion, primarily attributable 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 RMB31.1 billion, and (ii) 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 assets) of RMB20.1 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 in 2024 was RMB14.5 billion, primarily due to (i) dividends paid to owners of our Company of RMB22.1 billion, and (ii) repayment of borrowings of RMB20.0 billion, partially offset by proceeds from borrowings of RMB30.6 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, 2023 and 2024, and March 31, 2025, except as disclosed in the table below, we did not have any material indebtedness.

	As of December 31,			As of March 31,
	2022	2023	2024	2025
	RMB'000			(Unaudited)
Current				
Borrowings	21,534,521	22,059,847	42,373,738	38,588,316
Lease liabilities	113,106	106,299	182,379	183,934
	21,647,627	22,166,146	42,556,117	38,772,250
Non-current				
Borrowings	79,327,247	104,035,996	94,611,079	98,240,364
Lease liabilities	572,350	283,296	662,814	571,789
	79,899,597	104,319,292	95,273,893	98,812,153
Total	101,547,224	126,485,438	137,830,010	137,584,403

Borrowings

During the Track Record Period, our borrowings mainly included bank borrowings and corporate bonds. As of December 31, 2022, 2023 and 2024, we had total borrowings of RMB100.9 billion, RMB126.1 billion and RMB137.0 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 6.33% 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 March 31, 2025, we had total borrowings of RMB136.8 billion. 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, RMB19.4 billion and RMB19.4 billion as of December 31, 2022, 2023 and 2024, and March 31, 2025, respectively.

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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 RMB0.8 billion as of December 31, 2022, 2023 and 2024, and March 31, 2025, respectively.

Contingent Liabilities

As of March 31, 2025, we did not have any material contingent liabilities.

During the Track Record Period and up to the Latest Practicable Date, save as disclosed above, we did not have any bank and other loans, or any issued and outstanding or agreed to be issued loan capital, bank overdrafts, borrowings or similar indebtedness, liabilities under acceptances (other than ordinary trade bills), acceptance credits, debentures, mortgages, charges, hire purchase commitments or finance lease commitments, guarantees or other material contingent liabilities.

There had not been any material change in our indebtedness since [December 31, 2024] and up to the Latest Practicable Date.

In addition, during the Track Record Period and up to the Latest Practicable Date, we did not have any material defaults or breaches of covenants in repayment of indebtedness.

CAPITAL EXPENDITURE

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

	For the year ended December 31,		
	2022	2023	2024
	RMB'000		
Construction in progress	65,758,746	43,300,590	29,713,936
Machinery	217,754	436,435	484,521
Properties and buildings	12,895	130,422	200,072
Exterior facilities and others	326,769	261,893	694,305
Special equipment	2,327	129,430	246,351
Electronic equipment	21,461	47,307	35,288
Transportation equipment	33,653	18,472	33,391
Other equipment	13,006	13,904	6,495
Total	66,386,611	44,338,453	31,414,359

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CAPITAL COMMITMENTS

Our capital commitments at the end of each year 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, 2023 and 2024, our capital commitments amounted to RMB51.5 billion, RMB9.9 billion and RMB11.3 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 indicated.

	For the year ended/as of December 31,		
	2022	2023	2024
Net profit margin	10.2%	11.8%	15.3%
Weighted average return on equity (ROE) ⁽¹⁾	24.7%	24.3%	24.7%
Current ratio ⁽²⁾	1.3	1.6	1.6
Quick ratio ⁽³⁾	1.1	1.4	1.4
Debt-to-asset ratio ⁽⁴⁾	70.6%	69.3%	65.2%
Interest-bearing debt ratio ⁽⁵⁾	16.8%	17.6%	17.4%
Operating cash flow conversion ratio ⁽⁶⁾ .	1.8	2.0	1.8

Notes:

- (1) Weighted average return on equity (ROE) is calculated by dividing the profit attributable to owners of the Company for the year by the monthly weighted average of equity attributable to owners of the Company.
- (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 over the profit for the same year.

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.

Price Risk

Commodity Price Risk

We are exposed to commodity price risk mainly arising from lithium, nickel and cobalt, whose price fluctuations could affect our results of operations.

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To address material price fluctuations and supply risks, we optimize our supply chain through measures such as self-operated mining and production of raw materials, investment partnerships, and signing long-term procurement agreements. We have included price adjustment mechanisms in our framework sales agreement or supplementary agreements, giving us flexibility to adjust the pricing of our products. In addition, we use derivative financial instruments (including commodity price risk contracts) to manage a portion of the associated risks.

See “Financial Information — Discussion of Certain Key Items of Consolidated Statements of Financial Position — Derivative Financial Instruments” for a detailed description of our commodity hedging activities.

Equity Price Risk

We are exposed to equity price risk mainly arising from investments in listed equity held by us that are classified as financial assets at FVTPL or FVTOCI which will not be sold within one year. For more details, including relevant sensitivity analysis, see Note 46 to the Accountants’ Report as set out in Appendix I of this document.

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 fixed 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,		
	2022	2023	2024
	<i>RMB'000</i>		
Dividends attributable to the year			
Interim dividend	1,593,064	—	—
Final and special dividend	—	6,154,689	27,458,131

As of the date of this document, we have 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. In principle, we prioritize cash dividends as the profit distribution method if the conditions for cash dividends are met. When we have major investment plans or significant cash expenditures, we may distribute dividends in the form of share equity. 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. If there are no major investment plans or significant cash expenditures, the profits distributed in cash shall be no less than 10% of the distributable profits achieved in the year. At the same time, our cumulative profits distributed in cash over the past three years shall be no less than 30% of the average annual distributable profits achieved in the past three years.

DISTRIBUTABLE RESERVES

As of December 31, 2024, we had approximately RMB128.5 billion of retained profits available for distribution to our Shareholders.

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[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 December 31, 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 December 31, 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 December 31, 2024.

[REDACTED]

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[REDACTED]

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this document, there had been no material adverse change in our business, financial condition and results of operations since December 31, 2024, which is the end date of the years reported on in the Accountants’ Report as set out in Appendix I to this document, and there is no event since December 31, 2024 which would materially affect the information in the Accountants’ Report as set out in Appendix I to this document.

Unaudited Financial Information for the Three Months Ended March 31, 2025

For a description of our unaudited financial information for the three months ended March 31, 2025, please refer to “Summary — Recent Development and No Material Adverse Change — Recent Development — Unaudited Financial Information for the Three Months Ended March 31, 2025.”

FINANCIAL INFORMATION

Dividend Distribution for 2024

Our Cash Dividend Distribution Plan for 2024 was reviewed and approved at the Annual General Meeting of 2024 held on April 8, 2025, declaring a cash dividend of RMB45.53 (tax inclusive) per 10 Shares to be paid to all Shareholders. This dividend distribution was completed on April 22, 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.