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

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis 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, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in this document, including but not limited to the sections headed "Risk Factors" and "Business."

For the purposes of this section, unless the context otherwise requires, references to the years of 2022, 2023 and 2024 refer to our fiscal years ended December 31 of such years, respectively.

OVERVIEW

We are a leading company in energy storage business for big-data and telecommunication industries. We focus on the design, R&D, manufacturing, and sales of energy storage batteries and systems. Capitalizing on rich experience we have accumulated over a decade through serving diverse customers operating telecom base stations, data centers, power stations, power grids, and in other energy storage settings, we are well-positioned to capture the vast market opportunities brought up by the big data era, and continue leading the development of the industry.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our historical financial condition and results of operations have been affected by a number of important factors which we believe will continue to affect our financial condition and results of operations in the future. Our results are primarily affected by the following factors:

End Markets that We Serve and Fluctuation in Customer Demand

During the Track Record Period, we derived revenues primarily from sales of lithium-ion and lead-acid batteries, with particular focus on serving clients operating in telecom base stations, data centers, electrical energy storage and other energy storage settings. For details, see "— Description of Major Components of Our Results of Operations — Revenues" in this section. As a result, changes, as well as evolving trends in market demands from relevant industries set significant impact on our business results, and is anticipated to continue influencing our performance in the future.

The demand for lithium-ion and lead-acid batteries is fueled by the global transition to low-carbon energy, the growth of 5G telecom base stations, and the expansion of data centers. The number of 5G telecom base stations is projected to grow from 5.0 million in 2023 to 25.0 million by 2030. Similarly, the proliferation of AI and big data analytics is boosting the demand for data center energy storage, with the global number of data center racks expected to rise from 25.5 million in 2023 to 184.6 million by 2030. Such demands are affected by a broad range of factors, including general economic conditions in China and worldwide, the regulatory environment, and the promotion of renewable energy utilization. Energy storage enhances power supply stability, solving long-standing challenges in downstream applications. The continuous development and upgrade of telecom networks in China and worldwide, including the commercial rollout and expansion of 5G networks, have significantly increased the power storage requirements of communication bases. Additionally, with the development of artificial intelligence (AI) and high-performance computing, there is a strong increase in market demand for energy storage products in data centers with efficient, secure, and continuous power supply capabilities. We expect this growth trend in relevant sectors to continue in the future, potentially driving sales of our products. For details, see "Industry Overview" and "Business — Overview — Our Market Opportunities" in this document.

In addition, capitalizing on the nature of raw materials and technology specifications, lithium-ion and lead-acid batteries each have unique advantages in addressing particular requirements under different settings. Lithium-ion batteries are favored for their high energy density, efficiency, and longer lifespans, while lead-acid batteries offer advantages in terms of safety, cost-effectiveness, reliability, and established recycling processes. As a result, while lithium-ion batteries, being a new generation of energy storage technology, have experienced quick expansion in various settings, lead-acid batteries remain indispensable in several industrial applications, including data centers and electrical energy storage settings where massive energy throughput is required at a low cost level. Furthermore, leveraging our strong technology capacity, while optimizing our production efficiency, we have invested in continuously enhancing our products' competitiveness in terms of power density, operating temperature range, voltage range, and life-cycle, allowing us to successfully distinguish ourselves from competitors. For instance, our lead-acid batteries can properly serve high-current, high-power applications, with a cycle life of up to 15 years. Our GFMHR series lead-acid batteries, launched in 2017, are ideal for application scenarios requiring high power density, providing a reliable, compact solution that helps save space and reduce costs. Market preferences and technological evolution in these two types of batteries, as well as our ability to quickly adapt to such changes, may continue to affect our business results. Additionally, economic and regulatory factors may also impact the energy storage market. According to Frost & Sullivan, economic influences such as fluctuating raw material costs and changes in demand can affect pricing and production strategies. On the regulatory side, government policies and incentives for renewable energy adoption play a crucial role in market growth. Regulations that mandate energy efficiency and carbon reduction targets can drive the expansion of energy storage solutions. Financial incentives and subsidies for energy storage projects can also accelerate the development and adoption. For details, see "Risk Factors — Risks Relating to Our Business and Industry — Our business is affected by conditions in the energy storage industry; in particular, potential adverse development of the supply-demand dynamics of energy storage industry may significantly affect the price and market demand of our product" and "Risk Factors — Risks Relating to Our Business and Industry — We may not be able to derive the desired benefits from our research and development efforts, and keep up with the latest technological development and industry trends, which may negatively affect our competitiveness and profitability" in this document.

Fluctuation in Prices of Raw Materials

The fluctuation in prices of raw material is a critical factor that significantly impacts the energy storage industry, affecting all application scenarios in which our batteries are used. In 2022, 2023 and 2024, our cost of raw material amounted to RMB2,824.5 million, RMB2,868.8 million and RMB3,097.2 million, representing 83.5%, 84.6% and 82.7% of our total cost of sales for the corresponding years, respectively. The prices of key raw material such as lead ingots, lead alloys, lithium iron phosphate, graphite, separators, electrolytes, and other auxiliary materials are subject to global market dynamics, including geopolitical events, changes in supply chains, and shifts in demand from various industries. Managing these fluctuations is essential for maintaining cost-effectiveness and ensuring stable production outputs.

For lithium-ion batteries, materials such as lithium iron phosphate are particularly expensive and prone to price volatility due to their limited supply and the growing demand from power battery of electric vehicles. For details, see "Industry Overview — Battery and Raw Materials Price Analysis" in this document. The cost of raw materials represented a substantial portion of the total production cost of sales during the Track Record Period. We have strategically implemented price adjustment mechanisms that allow parties to adjust the sales price of our batteries when the market price of selected key raw materials fluctuates beyond a benchmark set out in the relevant agreements. For details, see "Business — Sales, Marketing and Customers — Pricing" and "Business — Sales, Marketing and Customers — Sales Agreement" in this document. By leveraging this price adjustment mechanism, we are able to effectively mitigate the risks associated with significant fluctuations in raw material to a certain extent. Meanwhile, our customers also benefit from this mechanism when raw material prices decrease beyond the benchmark set out in the relevant agreements, which helps foster stronger business relationships with our customers, ensuring sustainable development and business growth. For details, see "Risk Factors — Risks Relating to Our Business and Industry — We are exposed to price fluctuations of raw materials, and we may not be able to adjust our prices to fully offset the increased costs of raw materials, which will adversely affect our profit margins, result of operations and financial condition" in this document.

According to Frost & Sullivan, average selling price of lithium-ion batteries are significantly impacted by the price of key raw material, including lithium iron phosphate and other ancillary materials. Lead-acid batteries are also volatile in the prices of lead ingots, lead alloys, and other auxiliary materials. The price of such raw materials of lead-acid batteries fluctuated due to changes in the global metals market, which was relatively stable during the Track Record Period, and can subsequently impact the cost structure of lead-acid batteries, affecting the pricing competitiveness and profit margins.

The following sensitivity analysis illustrates the effects of hypothetical fluctuations in our average cost of raw material on our profit before income tax for the years indicated, assuming all other factors affecting our profitability had remained unchanged.

	Year Ended December 31,		
	2022	**2023**	**2024**
	(in RMB thousands)		
Change in average price of raw material			
+/– 5%	–/+ 141,223	–/+ 143,442	–/+ 154,860
+/– 10%	–/+ 282,446	–/+ 286,885	–/+ 309,719
+/– 15%	–/+ 423,669	–/+ 430,327	–/+ 464,579
+/– 20%	–/+ 564,891	–/+ 573,769	–/+ 619,438

The following table sets forth a sensitivity test of our profit before income tax on fluctuation of average selling prices of our batteries for the years indicated, assuming all other factors affecting our profitability had remained unchanged.

	For the year ended December 31,		
	2022	**2023**	**2024**
	(in RMB thousands)		
Change in average selling prices of batteries			
+/– 5%	+/– 199,508	+/– 209,589	+/– 220,161
+/– 10%	+/– 399,015	+/– 419,179	+/– 440,321
+/– 15%	+/– 598,523	+/– 628,768	+/– 660,482
+/– 20%	+/– 798,031	+/– 838,357	+/– 880,642

Our response to these fluctuations involves strategic initiatives such as enhancing supplier relationships, adjusting pricing strategies in a timely manner, and optimizing our production processes. These efforts are aimed at mitigating the financial risks associated with raw material price volatility and maintaining our competitive edge in the industry.

Expansion of Production Capacity and Optimization of Production Efficiency

Our ability to continuously optimize operational efficiency directly influences the competitiveness of our batteries and our sustainable development. This ability is particularly pivotal for both our lithium-ion and lead-acid batteries, where market expectations and technological advancements require agile and efficient production processes to meet evolving market competition in terms of pricing and quality. During the Track Record Period, to capture market opportunities driven by increased demand for our products due to customers recognition of their premium quality, technological performance and expansion in relevant industry sectors, we steadily ramped up our production capacity, allowing us to effectively benefit from economies of scale. For details, see "Business — Manufacturing and Production" in this document.

Improving operational efficiency is a cornerstone of our strategy, impacting both cost management and environmental sustainability. We are implementing initiatives to enhance production line efficiency and reduce our environmental footprint. For instance, during the Track Record Period, we invested in advanced coating and drying technologies to reduce energy consumption during electrode manufacturing for lithium-ion batteries. For lead-acid batteries, we focused on improving charging and formation processes to decrease energy use. Both product lines benefit from ongoing process optimization. During the Track Record Period, we continuously invested in measures to enhance production efficiency and cost control, including improving training programs to ensure our staff are proficient in the latest manufacturing techniques and best practices, thereby directly contributing to productivity and product quality. This proactive approach improves production uptime, extends equipment lifespan, and reduces the likelihood of costly unplanned downtime. For details, see "Risk Factors — Risks Relating to Our Business and Industry — We may not be able to increase our production capacity as planned, and even if our production expansion projects proceed as planned, we may not be able to increase our production output in a timely manner or at all as initially envisioned", "Risk Factors — Risks Relating to Our Business and Industry — We may not continue to be successful in developing and maintaining a cost-effective battery manufacturing capability" in this document. For details of our R&D progress and key technologies adopted during the Track Record Period to improve the efficiency of our production lines, lower defective rates of batteries, and reduce our environmental footprint, see "Business — Research & Development" in this document.

By expanding and managing our production capacity, strategically and continuously improving our operational efficiency, we not only meet the current demands of our markets but also position ourselves to adapt swiftly to future changes. This balanced approach between capacity management and efficiency optimization ensures sustained growth and leadership in the competitive battery industry. However, our operating history may not be a reliable predictor of our prospects and future results of operations. For details, see "Risk Factors — Risks Relating to Our Business and Industry — Our operating history may not be a reliable predictor of our prospects and future results of operations" in this document.

Investment in Research and Development to Maintain Technology Leadership

The energy storage battery industry is characterized by technological advances, innovation and evolving customer demands. Our competitiveness therefore significantly depends on our ability to develop innovative, advanced technologies that meet evolving customer's demands and preferences. We rely on our in-house R&D to establish and strengthen our market position, and achieve continuous growth. Throughout the Track Record Period, we pivot our R&D focus and resources along with the industrial trend and advancements in energy storage batteries. Adhering to the principle of "researching one generation ahead, pilot testing the next, and mass-producing the current", we aim to enhance the market competitiveness of both lithium-ion batteries and lead-acid batteries through our R&D efforts. We have R&D centers located in Taizhou, Jiangsu, Shenzhen, Guangdong, Beijing and Xiangyang, Hubei. Our R&D centers focus on the research and development of energy storage battery technologies, such as electrochemical technology and structural innovation, which could improve the safety, cost and performance of our energy storage batteries.

Our investment in R&D is a cornerstone of our strategy to stay at the forefront of technological advancements and maintain a competitive edge position. In 2022, 2023 and 2024, our research and development expenses amounted to RMB100.7 million, RMB112.8 million, and RMB110.5 million, respectively. Our R&D efforts have directly led to significant enhancements in the functionality, efficiency, adaptability to various application scenarios, and reliability of our products. Innovations developed through our research have allowed us to introduce products with advanced features that meet the evolving needs of our customers. For instance, improvements in specific technology including battery life, software integration, and energy efficiency have directly resulted from our focused R&D activities. These enhancements help maintain our products' relevance in competitive markets and directly contribute to increased customer satisfaction and loyalty.

Our R&D initiatives have not only enhanced our existing products but also led to the development of new technologies that have broadened our market reach and opened up new revenues streams. The impact of these innovations is evident in our financial performance, contributing to an overall revenues increase and improving our market position. The development of new technologies through our R&D initiatives has enabled us to penetrate new market segments and expand our geographic reach.

Another impacts of our R&D investment is the improvement in manufacturing processes and operational efficiency. Our research has led to the discovery and implementation of cost-saving techniques and materials, which reduce production costs and enhance the overall sustainability of our operations. These operational efficiencies translate into lower product prices for customers and improved margins for our business, thereby enhancing our competitive position in the market. Additionally, enhanced product offerings and operational efficiencies have resulted in better customer satisfaction rates and higher new customer acquisition, further boosting our revenues and profitability. We may not be able to derive the desired benefits from our research and development efforts, and keep up with the latest technological development and industry trends, which may negatively affect our competitiveness and profitability. For details, see "Risk Factors — Risks Relating to Our Business and Industry — We may not be able to derive the desired benefits from our research and development efforts, and keep up with the latest technological development and industry trends, which may negatively affect our competitiveness and profitability" in this document.

The synergy between increased R&D spending and enhanced financial performance has significantly propelled our business. The strategic alignment of our innovation efforts with market demands has led to an increase in both revenues and market share. Such a synergy resulted in an increase in our revenues from RMB4,072.5 million in 2022 to RMB4,498.5 million in 2024.

BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), which comprise all standards and interpretations approved by the International Accounting Standards Board. All IFRSs effective for the accounting period commencing from January 1, 2024, together with the relevant transitional provisions, have been consistently applied by the Group in the preparation of the Historical Financial Information throughout the Track Record Period.

The Historical Financial Information has been prepared under the historical cost convention, except for wealth management products, bills receivables classified as financial assets at fair value through other comprehensive income and derivative financial instruments which have been measured at fair value. Disposal groups held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in Note 2.3 to the Accountants' Report included in Appendix I to this Document. The Historical Financial Information is presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

Our Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in Historical Financial Information. Our Group intends to apply these revised IFRSs, if applicable, when they become effective.

We are in the process of making a detailed assessment of the impact of these new and revised IFRSs upon initial application. So far, we consider that these new and revised IFRSs, except for IFRS 18, may result in changes in certain accounting policies and no significant impact on our financial performance and financial position is expected in the period of initial application. The application of IFRS 18 is not expected to have material impact on our financial position but is expected to affect the presentation of the statement of profit or loss and statement of cash flows (additional disclosure will be included in the financial statements). We will continue to assess the impact of IFRS 18 on our financial information.

IFRS 18	Presentation and Disclosure in Financial Statements(1)
IFRS 19	Subsidiaries without Public Accountability: Disclosures(1)
Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments(2)
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture(3)
Amendments to IAS 21	Lack of Exchangeability(4)

Notes:

(1) Effective for annual periods beginning on or after January 1, 2027

(2) Effective for annual periods beginning on or after January 1, 2026

(3) No mandatory effective date yet determined but available for adoption

(4) Effective for annual periods beginning on or after January 1, 2025

Our Group is in the process of making an assessment of the impact of these new and revised IFRSs upon **[REDACTED]**. So far, our Group considers that these new and revised IFRSs may result in changes in accounting policies but are unlikely to have a significant impact on our Group's financial performance and financial position.

MATERIAL ACCOUNTING POLICIES AND CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our historical financial information. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. We set out below some of the accounting policies and estimates that we believe are of critical importance to us or involve the most significant estimates and judgments used in the preparation of our financial statements. Our material accounting policy information, which are important for understanding our financial condition and results of operations, are set out in further details in Notes 2.3 and 3 to the Accountants' Report in Appendix I to this document.

Revenues recognition

Revenues from contracts with customers

Revenues from contracts with customers, including distributors and direct sales is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which we will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenues reversal in the amount of cumulative revenues recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Sales of products

Revenues from the sales of goods primarily arises from sales of the lead-acid battery, lithium-ion battery and others, which is recognized at the point in time when control of the products is transferred to the customer, generally on the acceptance of the products.

Investments in associates

An associate is an entity in which we have a long-term interest of generally not less than 20% of the equity voting rights and over which it has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

Our investments in an associate are stated in the consolidated statement of financial position at our share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Our share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognized directly in the equity of the associate, we recognize its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between our Group and our associates are eliminated to the extent of our investments in the associates, except where unrealized losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of our investments in an associate.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other case, upon loss of significant influence over the associate, we measure and recognize any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Fair value measurement

We measure our derivative financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by our Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

We use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, we determine whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, financial assets, investment properties and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, (Only if there are revalued assets in the financial statements) unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

We did not have goodwill/intangible assets with indefinite useful life/intangible assets not yet available for use during the Track Record Period.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost (or valuation) less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale." The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals we recognize such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	4.75%
Leasehold improvements	15.70-23.77%
Plant and machinery	4.75-9.50%
Motor vehicles	19.00%
Furniture and other	19.00%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in the statement of profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Software

Software is stated at cost less any impairment losses and is amortized on the straight-line basis over its estimated useful life of five years.

Research and development expenses

All research costs are charged to the profit or loss as incurred.

Leases

We assess at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

We apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. We recognize lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognized at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	50 years
Buildings	2-6 years

If ownership of the leased asset transfers to our Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognized at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by our Group and payments of penalties for termination of a lease, if the lease term reflects our Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, we use our incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

We apply the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and our business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which we have applied the practical expedient of not adjusting the effect of a significant financing component, we initially measure a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which we have applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "— Revenues recognition."

In order for a financial asset to be classified and measured at amortized cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

Our business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognized on the trade date, that is, the date that we commit to purchase or sell the asset.

There has not been any material deviation between our management's estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period.

OUR CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

The following table sets forth our consolidated statements of profit or loss and other comprehensive income for the years indicated.

	For the year ended December 31,					
	2022		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Revenues	4,072,480	100.0	4,259,777	100.0	4,498,522	100.0
Cost of sales	(3,382,884)	(83.1)	(3,393,009)	(79.7)	(3,747,639)	(83.3)
Gross profit	**689,596**	**16.9**	**866,768**	**20.3**	**750,883**	**16.7**
Other income and gains	50,614	1.2	77,718	1.8	115,584	2.6
Selling and marketing expenses	(100,255)	(2.5)	(151,785)	(3.6)	(138,043)	(3.1)
Administrative expenses	(126,516)	(3.1)	(162,748)	(3.8)	(156,470)	(3.5)
Research and development expenses	(100,676)	(2.5)	(112,803)	(2.6)	(110,478)	(2.5)
Impairment losses of impairment losses on financial and contract assets, net	(22,607)	(0.6)	(6,347)	(0.1)	(19,181)	(0.4)
Other expenses	(21,467)	(0.5)	(34,145)	(0.8)	(20,169)	(0.4)
Finance costs	(49,372)	(1.2)	(30,005)	(0.7)	(19,842)	(0.4)
Share of profits and losses of an associate	(647)	(0.0)	(475)	(0.0)	428	0.0
Profit before tax	**318,670**	**7.8**	**446,178**	**10.5**	**402,712**	**9.0**
Income tax expense	(37,645)	(0.9)	(60,975)	(1.4)	(49,381)	(1.1)
Profit for the year	**281,025**	**6.9**	**385,203**	**9.0**	**353,331**	**7.9**
Attributable to:						
Owners of the parent	281,019	6.9	385,203	9.0	353,331	7.9
Non-controlling interests	6	0.0	–	–	–	–

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenues

During the Track Record Period, we derived revenues from sales of our products, which include lithium-ion batteries and lead-acid batteries to our customers. We also generated revenues from others, which primarily represented sale of waste including lead slags and electricity sales. Our total revenues amounted to RMB4,072.5 million, RMB4,259.8 million, and RMB4,498.5 million in 2022, 2023 and 2024, respectively.

Revenues by Application Scenario

Our batteries offer stable performance, long cycle lives and enhanced safety to meet diverse customers' needs. We focus particularly on serving clients' energy storage needs in various application scenarios, including telecom base stations, data centers, and electrical energy storage settings and other settings. In particular, as our products are primarily used in telecom base stations and data centers, our results of operations were mainly driven and affected by the development, construction schedule or progress of relevant projects, which in turn, were determined by our customers' business decision, as well as related policies and infrastructure development strategy.

During the Track Record Period, we primarily sold our battery products for telecom base stations, data centers, electrical energy storage settings, and other settings. Our revenues increased from RMB4,072.5 million in 2022 to RMB4,498.5 million in 2024, driven primarily by higher revenues from sales to data centers. This growth was largely attributed to the expansion of data centers and cloud computing facilities, driven by the rising market demand for data storage and processing capabilities in recent years. By leveraging our high product quality and strong market recognition, we successfully capitalized on this opportunity.

The following table sets forth a breakdown of our revenues by application scenario for the years indicated.

	Year Ended December 31,					
	2022		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Telecom base Station	2,640,989	64.8	2,464,004	57.8	2,299,367	51.1
Data center	764,815	18.8	899,942	21.1	1,391,898	31.0
Electrical energy storage settings	302,443	7.4	487,977	11.5	450,840	10.0
Other settings[1]	281,906	7.0	339,863	8.0	261,105	5.8
Others[2]	82,327	2.0	67,991	1.6	95,312	2.1
Total	**4,072,480**	**100.0**	**4,259,777**	**100.0**	**4,498,522**	**100.0**

Notes:

*(1) Primarily include uninterruptible power supply ("**UPS**") batteries and start-stop batteries.*

(2) Primarily include sales waste including lead slag, and electricity sales.

Sales Volume

During the Track Record Period, changes in sales volume of batteries were primarily influenced by the demand dynamics within the industries where our batteries are applied, as well as by the performance and competitive positioning of our batteries. Specifically, fluctuations in sales volume were driven by the following key factors:

- *downstream demand*, which is closely linked to the broader industry trends. See also "Industry Overview — Overview of the Global and China Energy Storage Market — Supply-demand Dynamics of Energy Storage Battery Products" in this document;

- *our expansion strategy*, particularly in the data center and electrical energy storage markets, which contributed to an increase in battery sales as we targeted these growing sectors. See also "Business — Our Strategies — Further Develop Our Data Center Business" in this document; and

- *our global efforts to enhance market penetration*, including expanding partnerships and establishing a stronger international presence. See also "Business — Our Strategies — Expand Our Global Presence" in this document.

Average Selling price

Changes in the average selling price of batteries were mainly affected by fluctuations in the price of key raw materials, such as lithium carbonate and lead ingots. In addition to raw material costs, the quality of our battery products and our competitive positioning also played a role in pricing adjustments. The following table sets forth the average selling price and sales volume of our products by application scenario for the years indicated.

	For the year ended December 31,					
	2022		2023		2024	
	Sales volume (kWh)	Average selling price (RMB/kWh)	Sales volume (kWh)	Average selling price (RMB/kWh)	Sales volume (kWh)	Average selling price (RMB/kWh)
Telecom base station	4,252,809	621.0	3,648,862	675.3	4,046,291	568.3
Data center	1,397,252	547.4	1,636,033	550.1	2,656,366	524.0
Electrical energy storage settings	329,448	918.0	482,182	1,012.0	597,686	754.3
Other settings*	613,421	459.6	739,265	459.7	546,812	477.5

Note:

* *Primarily include UPS batteries and start-stop batteries.*

Revenues by Product

Revenues were primarily derived from sale of lithium-ion batteries and lead-acid batteries during the Track Record Period. While maintaining our leading market positions in offering lead-acid batteries for customers leveraging our outstanding quality, strong technological strength, and industry expertise, we invested in the expansion of lithium-ion batteries in response to growing market demand for more efficient and energy storage products. The following table sets forth a breakdown of our revenues by product for the years indicated.

	For the year ended December 31,					
	2022		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Lithium-ion battery	1,568,531	38.5	1,854,556	43.5	1,495,978	33.3
Lead-acid battery	2,421,622	59.5	2,337,230	54.9	2,907,232	64.6
Others*	82,327	2.0	67,991	1.6	95,312	2.1
Total	**4,072,480**	**100.0**	**4,259,777**	**100.0**	**4,498,522**	**100.0**

Note:

* *Primarily include sales of waste including lead slag, used batteries, and electricity sales.*

During the Track Record Period, changes in the sales volume of our batteries were primarily driven by the supply-demand dynamics within the industries where our batteries are applied, the quality of our battery products, and our competitive positioning in the market. Specifically, fluctuations in sales volume were influenced by the increasing downstream demand for batteries, particularly driven by the growth in energy storage systems; our strategic focus on expanding our presence in high-growth sectors such as data centers; and our ability to effectively compete in the market through product innovation and quality improvements, which bolstered our sales performance. For an analysis of the supply-demand dynamics of our products, see also "Industry Overview — Overview of the Global and China Energy Storage Market — Supply-demand Dynamics of Energy Storage Battery Products" in this document.

Changes in the average selling price of batteries were mainly affected by fluctuations in the price of key raw materials, such as lithium carbonate and lead ingots. In addition to raw material costs, the quality of our battery products and our competitive positioning also played a role in pricing adjustments. During the Track Record Period, prices of raw materials, such as lithium carbonate and lead ingots, have experienced fluctuations, which were influenced by their supply and demand dynamics. For an analysis of the market price of raw materials and energy storage batteries, see "Industry Overview — Battery and Raw Materials Price Analysis" in this document. According to Frost & Sullivan, our average selling price generally aligns with market trends, considering raw material and production costs, as well as product specifications. The following table sets forth the average selling price and sales volume by product for the years indicated.

	For the year ended December 31,					
	2022		**2023**		**2024**	
	Sales volume	**Average selling price**	**Sales volume**	**Average selling price**	**Sales volume**	**Average selling price**
	(kWh)	*(RMB/ kWh)*	*(kWh)*	*(RMB/ kWh)*	*(kWh)*	*(RMB/ kWh)*
Lithium-ion battery	1,654,073	948.3	1,894,000	979.2	2,141,497	698.6
Lead-acid battery	4,938,858	490.3	4,612,342	506.7	5,705,658	509.5

Revenues by Region

During the Track Record Period, we primarily derived revenues from sales to customers in mainland China, which amounted to RMB3,394.6 million, RMB3,330.8 million, and RMB3,609.0 million, and accounted for 83.4%, 78.2%, and 80.2% of our total revenues in 2022, 2023 and 2024, respectively. We record customer revenue by region based on the customer's registered address or place of incorporation. Overseas revenues amounted to RMB677.9 million, RMB928.9 million, and RMB889.5 million in 2022, 2023 and 2024, respectively. These amounts accounted for 16.6%, 21.8%, and 19.8% of our total revenues for the corresponding years. This growth represents sales of our products to customers in other geographical regions, primarily Asia Pacific excluding mainland China and EMEA. We have continuously expanded our overseas presence, and have successfully entered into supply chains of many world-renowned enterprises to provide energy storage batteries for telecom base stations. We also have subsequently launched electrical energy storage projects in overseas countries/regions.

The following table sets forth a breakdown of revenue by region and major country for the years indicated, in absolute amount and as percentage of total revenues.

	For the year ended December 31,					
	2022		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Mainland China	3,394,555	83.4	3,330,829	78.2	3,608,974	80.2
Asia Pacific excluding mainland China						
Malaysia	8,284	0.2	10,217	0.2	98,553	2.2
Indonesia	55,310	1.4	37,668	0.9	91,481	2.0
India	792	–	135,746	3.2	80,603	1.8
Vietnam	65,894	1.6	88,106	2.1	70,199	1.6
Others[(1)]	55,547	1.4	74,896	1.8	70,712	1.5
Subtotal	**185,827**	**4.6**	**346,633**	**8.1**	**411,548**	**9.1**
EMEA						
Sweden	186,915	4.6	125,100	2.9	120,375	2.7
Norway	32,444	0.8	89,001	2.1	75,770	1.7
Egypt	7,628	0.2	29,305	0.7	26,585	0.6
South Africa	46,364	1.1	42,814	1.0	20,291	0.5
Finland	81,162	2.0	61,422	1.4	17,520	0.4
Others[(2)]	81,093	2.0	166,149	3.9	134,867	2.9
Subtotal	**435,606**	**10.7**	**513,791**	**12.0**	**395,408**	**8.8**
Other Regions						
Brazil	24,406	0.6	33,167	0.8	47,610	1.1
Guatemala	10,381	0.2	7,103	0.2	10,210	0.2
Others[(3)]	21,705	0.5	28,254	0.7	24,772	0.6
Subtotal	**56,492**	**1.3**	**68,524**	**1.6**	**82,592**	**1.9**
Total	4,072,480	100.0	4,259,777	100.0	4,498,522	100.0

Notes:

(1) mainly include Hong Kong SAR, Pakistan and Kazakhstan, and Singapore.

(2) mainly include UAE, Romania, and Mauritius.

(3) mainly include Peru, Mexico, Uruguay and Colombia.

Cost of Sales

Cost of Sales by Nature

Cost of sales consists of cost of raw material, overheads, and direct labor costs. During the Track Record Period, movement of cost of sales was consistent with the fluctuations in revenues during the respective years. Movement of cost of sales was primarily influenced by the movement of the prices of raw material. See also "Industry Overview — Overview of the Global and China Energy Storage Market — Supply-demand Dynamics of Energy Storage Battery Products" and "Industry Overview — Battery and Raw Materials Price Analysis" in this document. The following table sets forth a breakdown of cost of sales by nature for the years indicated.

	For the year ended December 31,					
	2022		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Cost of raw material	2,824,457	83.5	2,868,845	84.6	3,097,192	82.7
Overheads	413,617	12.2	371,003	10.9	480,193	12.8
Direct labor costs	114,091	3.4	116,899	3.4	131,817	3.5
Others*	30,719	0.9	36,262	1.1	38,437	1.0
Total	**3,382,884**	**100.0**	**3,393,009**	**100.0**	**3,747,639**	**100.0**

Note:

* *Primarily included costs of warranties we issued in connection with our batteries.*

Cost of Raw Material

Cost of raw material primarily consisted of the cost of raw material for the production of batteries, including lead ingots, lead alloys, lithium iron phosphate, graphite, separators, electrolytes, and other auxiliary materials. Cost of raw material was the largest component of cost of sales, the percentage of which remained stable throughout the Track Record Period.

The prices of raw materials such as lithium carbonate, lead ingots, and graphite are primarily influenced by supply and demand dynamics. Lithium carbonate has seen fluctuating prices due to shifts in production capacity and varying demand from sectors like electric vehicles and energy storage systems. Similarly, during the Track Record Period, lead ingots have experienced price increases driven by a slightly decrease in supply steady demand and gradual production growth. Graphite and other materials also represent a substantial portion of the total cost of raw material, with their prices impacted by market conditions and technological advancements. For the price fluctuation of raw material during the Track Record Period, see "Industry Overview — Battery and Raw Materials Price Analysis" in this document.

Overheads

Overheads primarily consisted of costs of utilities, transportation costs, the depreciation of our plants and manufacturing machinery, and maintenance costs of manufacturing machinery.

Our total transportation costs decreased from RMB83.4 million in 2022 to RMB78.5 million in 2023. This decrease was primarily due to the relatively high transportation costs in 2022, driven by the impact of the COVID-19 pandemic. Our total transportation costs increased to RMB90.1 million in 2024, mainly due to the corresponding increase in our sales volume.

Our transportation costs for overseas sales remained relatively stable at RMB18.3 million and RMB18.3 million in 2022 and 2023, respectively, despite the growth in overseas sales. This was primarily due to the reduced costs of international shipping following the end of the acute phase of the COVID-19 pandemic in 2022. Additionally, in 2023, more overseas customers opted for shipping terms such as FOB and FCA, which resulted in lower costs for us. Our transportation costs for overseas sales increased to RMB28.8 million in 2024, mainly due to our offering of the more favorable shipping terms, such as DAP and CPT based on our customers' needs, resulting in higher transportation costs for overseas sales.

Direct Labor Costs

Direct labor costs represented salaries, bonuses, and welfare benefits for our manufacturing staff.

Cost of Sales by Application Scenario

The following table sets forth a breakdown of cost of sales by application scenario for the years indicated. The movement in the cost of sales for each application scenario, including in absolute amount and as a percentage of total cost of sales during the Track Record Period generally aligned with the movement of revenues for each respective application scenario. For details of the movement of cost of sales by application scenario during the Track Record Period, see "— Year to Year Comparison of Results of Operations" in this section.

	Year Ended December 31,					
	2022		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Telecom base station	2,216,419	65.5	1,885,583	55.6	1,829,018	48.8
Data center	634,003	18.7	729,996	21.5	1,200,788	32.0
Electrical energy storage settings	233,841	6.9	406,524	12.0	410,393	11.0
Other settings[(1)]	223,030	6.7	308,424	9.1	214,924	5.7
Others[(2)]	75,591	2.2	62,482	1.8	92,516	2.5
Total	**3,382,884**	**100.0**	**3,393,009**	**100.0**	**3,747,639**	**100.0**

Notes:

(1) *Primarily include UPS batteries and start-stop batteries.*

(2) *Primarily include sales of waste including lead slag, used batteries, and electricity sales.*

Cost of Sales by Product

The following table sets forth a breakdown of cost of sales by product for the years indicated. The movement in the cost of sales for each product, including in absolute amount and as a percentage of total cost of sales during the Track Record Period generally aligned with the movement of sales volume for each product, respectively. For details of the movement of cost of sales by product during the Track Record Period, see "— Year to Year Comparison of Results of Operations" in this section.

	For the year ended December 31,					
	2022		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Lithium-ion battery	1,279,122	37.8	1,430,156	42.2	1,188,285	31.7
Lead-acid battery	2,028,171	60.0	1,900,371	56.0	2,466,838	65.8
Others*	75,591	2.2	62,482	1.8	92,516	2.5
Total	**3,382,884**	**100.0**	**3,393,009**	**100.0**	**3,747,639**	**100.0**

Note:

* *Primarily include sales of waste including lead slag, used batteries, and electricity sales.*

Gross Profit and Gross Profit Margin

During the Track Record Period, we primarily derived gross profits from batteries used in telecom base stations, data centers, electrical energy storage settings and other settings. Gross profit margin improved from 16.9% in 2022 to 20.3% in 2023, driven by strong industry demand and our enhanced market position. This growth was further supported by our ability to adjust selling prices in response to raw material cost fluctuations, as well as increased economies of scale and production efficiency. Our gross profit margin decreased to 16.7% in 2024, mainly due to the increased raw material costs, particularly lead ingots, and the adoption of the more competitive pricing terms to maintain and promote our position as a leader in the market.

The following table sets forth a breakdown of gross profits and gross profit margins by application scenario for the years indicated.

	For the year ended December 31,					
	2022		2023		2024	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Telecom base station	424,570	16.1	578,421	23.5	470,349	20.5
Data center	130,812	17.1	169,946	18.9	191,110	13.7
Electrical energy storage settings	68,602	22.7	81,453	16.7	40,447	9.0
Other settings[(1)]	58,876	20.9	31,439	9.3	46,181	17.7
Others[(2)]	6,736	8.2	5,509	8.1	2,796	2.9
Total	**689,596**	**16.9**	**866,768**	**20.3**	**750,883**	**16.7**

Notes:

(1) *Primarily include UPS batteries and start-stop batteries.*

(2) *Primarily include sales of waste including lead slag, used batteries, and electricity sales.*

The following table sets forth gross profit and gross profit margin by region for the years indicated.

	For the year ended December 31,					
	2022		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Mainland China	507,083	14.9	603,297	18.1	504,281	14.0
Asia Pacific excluding mainland China	40,403	21.7	74,581	21.5	84,104	20.4
EMEA	124,727	28.6	159,340	31.0	132,430	33.5
Others*	17,383	30.8	29,550	43.1	30,068	36.4
Total	**182,513**	**26.9**	**263,471**	**28.4**	**246,602**	**27.7**

Note:

* *Primarily includes Uruguay, Brazil, Mexico, Australia and United States.*

The following table sets forth gross profit and gross profit margin by product for the years indicated.

	For the year ended December 31,					
	2022		2023		2024	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Lithium-ion battery	289,409	18.5	424,400	22.9	307,693	20.6
Lead-acid battery	393,451	16.2	436,859	18.7	440,394	15.1
Others*	6,736	8.2	5,509	8.1	2,796	2.9
Total	**689,596**	**16.9**	**866,768**	**20.3**	**750,883**	**16.7**

Note:

* *Primarily include sales of waste including lead slag, used batteries, and electricity sales.*

Other Income and Gains

Other income and gains primarily consists of government grants, interest income, foreign exchange gains, compensation income and rental income. The following table sets forth a breakdown of other income and gains in absolute amount and percentage of total other incomes and gains for the years indicated.

	For the year ended December 31,					
	2022		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Government grants	25,103	49.6	36,360	46.8	79,927	69.2
Interest income	3,402	6.7	19,260	24.8	14,814	12.8
Foreign exchange gains	17,476	34.5	12,289	15.8	10,626	9.2
Compensation income(1)	603	1.2	4,497	5.8	359	0.3
Rental income	1,338	2.6	2,245	2.9	2,794	2.4
Others(2)	2,692	5.4	3,067	3.9	7,064	6.1
Total	**50,614**	**100.0**	**77,718**	**100.0**	**115,584**	**100.0**

Notes:

(1) Compensation income primarily represented the compensation we received from suppliers due to their failure to deliver qualified raw materials to us on a timely basis and amounted to RMB0.6 million, RMB4.5 million, and RMB0.4 million in 2022, 2023 and 2024, respectively. The compensation income varied throughout the Track Record Period, as it was generated on a case-by-case basis and was inherently non-recurring.

(2) Primarily include gain on disposal of items of property, plant and equipment, net and gain on disposal of right-of-use assets.

Government grants are financial incentives provided by the government to support our business operations. These grants recognize our contribution to the development of the local economy and align with favorable policies that support the growth of environmentally-friendly industries and advanced technologies. Interest income represents the earnings from financial assets held either for investment purposes or as part of our liquidity management strategy. This income is primarily generated through interest-bearing bank deposits. Foreign exchange gains are the results of fluctuations in foreign currency exchange rates that affect our international transactions and currency holdings. These gains are recorded based on the revaluation of balances denominated in foreign currencies. Compensation income represents the compensation received from suppliers due to quality issues with the raw materials they provided. Rental income represents the revenues generated from leasing storage facilities.

The following table sets forth the material government grants we received during the Track Record Period.

Government Grant	Time of Grant	Amount of Grant
		RMB'000
High-Performance Energy Storage Lithium-Ion Battery Project — 2022 Provincial Strategic Emerging Industry Development Special Grant	July 2022	18,000
Special Support Grant for the construction of a plant in Xiangyang, Hubei	January 2024	16,120
Special Support Grant for the construction of a plant in Xiangyang, Hubei	December 2023	15,000
2022 Provincial Carbon Peak and Carbon Neutrality Science and Innovation Special Grant	January 2023	14,500
Infrastructure Development Grant	May 2023	13,766

Selling and Marketing Expenses

Selling and marketing expenses primarily consist of employee compensation, business development expenses, travel expenses, advertising and promotion expenses, lease expenses, office expenses and others. Employee compensation represented salaries, bonus, share-based compensations and employee benefits paid to our employees involved in the selling and marketing activities. Business development expenses represented costs related to activities aimed at growing and expanding the business, including market research and client meetings. Travel expenses represented expenses associated with employee travel for business purposes, including transportation, accommodation, and meals. Advertising and promotion expenses represented expenses we incurred in relation to the advertisement and promotion of our products.

The following table sets forth a breakdown of selling and marketing expenses in absolute amount and percentage of total selling and marketing expenses for the years indicated.

	For the year ended December 31,					
	2022		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Employee compensation	70,258	70.1	102,765	67.7	74,559	53.9
Business development expenses	8,161	8.1	11,939	7.9	16,740	12.1
Travel expenses	8,563	8.5	14,726	9.7	16,282	11.8
Advertising and promotion expenses	1,336	1.3	7,220	4.8	14,200	10.3
Lease expenses	3,678	3.7	3,946	2.6	4,219	3.1
Office expenses	2,216	2.2	2,704	1.8	2,622	1.9
Others*	6,043	6.1	8,485	5.5	9,421	6.9
Total	**100,255**	**100.0**	**151,785**	**100.0**	**138,043**	**100.0**

Note:

* *Primarily includes tender service fees and product insurance fees of our products.*

Administrative Expenses

Administrative expenses primarily consist of employee compensation, **[REDACTED]**, depreciation and amortization, professional service fees, office expenses, entertainment expenses, travel expenses and others. Employee compensation represented salaries, bonus, employee benefits and share-based compensation paid to administrative employees. **[REDACTED]** represented expenses in relation to the **[REDACTED]**. Depreciation and amortization represented the expenses associated with the wear and tear and gradual reduction in value of office equipment charged under administrative expenses. Professional service fees represented costs for services provided by external experts, including legal, consulting, and auditing services. Office expenses represent the costs associated with the day-to-day operations of our Group, including office supplies, utilities, equipment maintenance, communication services, and other general office-related expenses necessary to support our administrative functions. Entertainment expenses represent the costs incurred for meals and hospitality by our administrative staff during regular business operations. Travel expenses represent costs incurred by employees for administration of our Company, including airfare, accommodations, and other transportation costs.

The following table sets forth a breakdown of administrative expenses in absolute amount and percentage of total administrative expenses for the years indicated.

	For the year ended December 31,					
	2022		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Employee compensation	85,459	67.5	99,054	60.9	78,697	50.3
[REDACTED]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Depreciation and amortization	14,953	11.8	17,706	10.9	17,781	11.4
Professional service fees	8,563	6.8	19,419	11.9	11,786	7.5
Office expenses	5,788	4.6	7,014	4.3	9,777	6.2
Entertainment expenses	4,597	3.6	8,971	5.5	7,153	4.6
Travel expenses	1,988	1.6	4,312	2.6	4,272	2.7
Others*	5,168	4.1	6,272	3.9	9,011	6.0
Total	**126,516**	**100.0**	**162,748**	**100.0**	**156,470**	**100.0**

Note:

* *Primarily includes testing fees for batteries, property insurance expenses, rent expenses, and utilities.*

Research and Development Expenses

Research and development expenses primarily consist of employee compensation, materials and utilities costs; depreciation and amortization, and others. Employee compensation represented salaries, bonus, shared–based compensation and employee benefits paid to employees involved in the R&D activities. Materials and utilities expenses represented the expense of raw material we used in the process of R&D activities. Depreciation and amortization primarily represented the expenses associated with the depreciation of R&D equipment and facilities.

The following table sets forth a breakdown of research and development expenses in absolute amount and percentage of total research and development expenses for the years indicated.

	For the year ended December 31,					
	2022		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Employee compensation	54,865	54.5	62,462	55.4	63,711	57.7
Materials and utilities expenses	31,485	31.3	32,548	28.9	25,675	23.2
Depreciation and amortization	7,604	7.6	7,573	6.7	12,814	11.6
Others*	6,722	6.6	10,220	9.0	8,278	7.5
Total	**100,676**	**100.0**	**112,803**	**100.0**	**110,478**	**100.0**

Note:

* *Primarily includes testing fees for products under development and collaborative R&D expenses.*

Impairment Losses on Financial and Contract Assets, Net

Impairment losses on financial and contract assets, net represented net impairment losses on financial and contract assets, including trade and bills receivables, other receivables and contract assets. Impairment losses on financial and contract assets, net amounted to RMB22.6 million, RMB6.3 million, and RMB19.2 million in 2022, 2023 and 2024, respectively.

Other Expenses

Other expenses primarily represented property tax, urban land use tax, stamp duty, impairment losses on assets of a disposal group classified as held for sale, and loss on disposal of non-current assets. The following table sets forth a breakdown of other expenses for the years indicated.

	For the year ended December 31,					
	2022		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Property tax	4,020	18.7	4,181	12.2	5,012	24.8
Urban land use tax	4,303	20.0	2,596	7.6	3,772	18.7
Stamp duty	2,272	10.6	2,833	8.3	2,841	14.1
Impairment losses on assets of a disposal group classified as held for sale [(1)]	–	–	15,747	46.1	–	–
Loss on disposal of non-current assets	32	0.1	1,704	5.0	484	2.4
Others[(2)]	10,840	50.6	7,084	20.8	8,060	40.0
Total	**21,467**	**100.0**	**34,145**	**100.0**	**20,169**	**100.0**

Notes:

(1) *Represents the impairment loss on assets and liabilities of Huifeng Juneng Technology (Huai'an) Co., Ltd. ("**Huai'an Huifeng Juneng**") that were held for sale. Assets and liabilities of Huai'an Huifeng Juneng held for sale are recorded at the lower of the cost and net realizable value. We determines the net realizable value of assets and liabilities of Huifeng Juneng Technology held for sale by reference to the estimated sales prices, which takes into account a number of factors including the recent prices of similar business types and disposal consideration negotiated with potential third-party buyers. In 2023, impairment loss on assets and liabilities of 'Huai'an Huifeng Juneng that were held for sale amounted to RMB15.7 million. See Note 25 to the Accountants' Report in Appendix I to this document for further details.*

(2) *Primarily includes income from financial product investments, futures liquidation gains and losses, income from derecognition of receivables, bank fees and charitable donations. These items are one-off in nature and were not recurring during the Track Record Period.*

Finance Costs

Finance costs include interest costs on bank and other borrowings as well as interest costs on lease liabilities. Finance costs amounted to RMB49.4 million, RMB30.0 million and RMB19.8 million in 2022, 2023 and 2024, respectively.

Share of Profits and Losses of an Associate

Share of profits and losses of an associate represented our proportionate share of the net income or loss of an associate of our Company. Share of profits and losses of an associate amounted to a loss of RMB0.6 million, a loss of RMB0.5 million and a gain of RMB0.4 million in 2022, 2023 and 2024, respectively.

Income Tax Expense

Income tax expense amounted to RMB37.6 million, RMB61.0 million and RMB49.4 million in 2022, 2023 and 2024, respectively. Our Company obtained High and New Technology Enterprise (HNTE) certificate and was subject to a corporate income tax rate of 15% during the Track Record Period and up to 2026. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

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

Revenues

Revenues increased from RMB4,259.8 million in 2023 to RMB4,498.5 million in 2024.

Revenues by Application Scenario

From the perspective of revenues by application scenario, revenues from sales of batteries used in telecom base stations decreased from RMB2,464.0 million in 2023 to RMB2,299.4 million in 2024. Sales volume of batteries used in telecom base stations increased from 3,648.9 MWh in 2023 to 4,046.3 MWh in 2024, which was in turn due to the increase in demand of battery products used in telecom base station by our customers. Average selling price of batteries used in telecom base stations decreased from RMB675.3/kWh in 2023 to RMB568.3/kWh in 2024 due to the decrease in price of raw materials, namely lithium iron phosphate, which is generally in line with the industry trend, according to Frost & Sullivan.

Revenues from sales of batteries used in data centers increased from RMB899.9 million in 2023 to RMB1,391.9 million in 2024, which was due to an increase in demand of batteries used in data centers, evidenced by the increase in sales volume of batteries used in data centers from 1,636.0 MWh in 2023 to 2,656.4 MWh in 2024. The increase in sales volume of batteries used in data centers was due to the rising demand driven by the rapid development of AI and cloud computing. These technological advancements have significantly increased the need for robust data storage and processing capabilities, leading to a higher demand for reliable battery solutions in data centers. Average selling price of batteries used in data centers decreased from RMB550.1/kWh in 2023 to RMB524.0/kWh in 2024, as we strategically maintained a relatively competitive average selling price for batteries used in data centers to preserve relationships with our customers and take effort to maintain and promote our position as a leader in the market.

Revenues from batteries used in electrical energy storage settings decreased from RMB488.0 million in 2023 to RMB450.8 million in 2024. Sales volume of batteries used in electrical energy storage settings increased from 482.2 MWh in 2023 to 597.7 MWh in 2024. The increase in sales volume was due to increase in demand of our batteries used in electrical energy storage settings by our customers. Average selling price of batteries used in electrical energy storage settings decreased from RMB1,012.0/kWh in 2023 to RMB754.3/kWh in 2024, due to the decrease in prices of raw material, namely lithium iron phosphate, which is generally in line with the industry trend, according to Frost & Sullivan.

Revenues from batteries used in other settings decreased from RMB339.9 million in 2023 to RMB261.1 million in 2024, which was primarily due to the decrease in sales volume of batteries used in other settings. Sales volume of batteries used in other settings decreased from 739.3 MWh in 2023 to 546.8 MWh in 2024, due to the decrease in orders placed by our customers in relation to batteries used in other settings. The average selling price of batteries used in other settings remained stable at RMB459.7/kWh in 2023 and RMB477.5/kWh in 2024.

Revenues by Product

Revenues from sales of lithium-ion batteries decreased from RMB1,854.6 million in 2023 to RMB1,496.0 million in 2024, which in turn was due to the decrease in average selling price of lithium-ion batteries which also decreased from RMB979.2/kWh in 2023 to RMB698.6/kWh in 2024 which was in turn primarily due to the decreases in the market price of lithium-ion batteries and the price of raw materials. According to Frost & Sullivan, the market price of lithium-ion batteries decreased from RMB1.09/Wh in 2023 to RMB0.63/Wh in 2024, and the market price of lithium carbonate decreased from RMB272.3 thousand per ton in 2023 to RMB95.9 thousand per ton in 2024. Sales volume of lithium-ion batteries increased from 1,894.0 MWh in 2023 to 2,141.5 MWh in 2024, which was primarily due to increase in demand of our lithium-ion batteries by our customers.

Despite the relatively stable demand of lithium-ion batteries applied in telecom stations in 2024 compared in 2023, we believe that lithium ion batteries has huge growth potential in big data and telecom applications. With the rapid expansion of global data centers and their increasing adoption of lithium-ion batteries, driven by lithium-ion batteries' intelligent battery capacity management and longer life cycle to handle peak shaving and valley filling, supporting the sustainable electricity supply, the lithium-ion batteries applied in data center are expected to reach 173.1 GWh in 2030, representing a CAGR of 106.3% from 1.1 GWh in 2023. According to Frost & Sullivan, in 2023, we ranked the first among global telecom and data center energy storage battery providers in terms of shipment volume, achieving a market share of 10.4%. We believe we are well positioned to capture the growing market demand of lithium-ion batteries and achieve future growth.

Revenues from sales of lead-acid batteries increased from RMB2,337.2 million in 2023 to RMB2,907.2 million in 2024. Average selling price of lead-acid batteries remained stable at RMB506.7/kWh in 2023 and RMB509.5/kWh in 2024. According to Frost & Sullivan, despite the increasing raw materials costs of lead ingots, the market price of lead-acid batteries remained relatively stable at RMB0.51/Wh and RMB0.54/Wh in 2023 and 2024, respectively. Given the relatively stable market price of lead-acid batteries, it is our business decision not to increase in our selling price of lead-acid batteries to maintain and promote leading market share in the energy storage business for big-data and telecommunication industries, especially the lead-acid batteries applied in data centers, despite of the increased raw material costs. The selling price of our batteries sold to customers under framework sales agreement is also subject to the price adjustment mechanism. For details, see "Business — Sales, Marketing and Customers — Pricing" in this document. The adjustment in the selling price of our lead-acid batteries under the price adjustment mechanism, balanced with our price strategy to accept more competitive base prices, resulted in the average selling price of our lead-acid batteries remaining relatively stable in 2024. Sales volume of lead-acid batteries increased from 4,612.3 MWh in 2023 to 5,705.7 MWh in 2024 due to the increase in demand of lead-acid batteries, particularly for batteries used in data centers.

Revenues from others increased from RMB68.0 million in 2023 to RMB95.3 million in 2024, which was primarily due to an increase in the sales volume of waste materials generated during our lead-acid battery production process.

Cost of Sales

Cost of sales increased from RMB3,393.0 million in 2023 to RMB3,747.6 million in 2024 primarily due to an increase in sales volume, which correspondingly led to an increase in associated costs.

From the perspective of analysis by application scenario, cost of sales for batteries used in telecom base stations decreased from RMB1,885.6 million in 2023 to RMB1,829.0 million in 2024. The decrease in cost of sales for batteries used in telecom base stations was primarily attributable to the decrease in price of raw material, partially offset by the increase in sales volume of batteries used in telecom base stations. Cost of sales of batteries used in data centers increased from RMB730.0 million in 2023 to RMB1,200.8 million in 2024. Such an increase was primarily due to the increased sales volume of batteries used in data centers, which was generally in line with the increase in revenues from sales of batteries used in data centers. Cost of sales of batteries used in electrical energy storage settings remained stable at RMB406.5 million in 2023 and RMB410.4 million in 2024. Cost of sales of batteries used in other settings decreased from RMB308.4 million in 2023 to RMB214.9 million in 2024, which was also primarily due to the decrease in sales volume of batteries.

From the perspective of analysis by product, cost of sales from sales of lithium-ion batteries decreased from RMB1,430.2 million in 2023 to RMB1,188.3 million in 2024 primarily due to the decrease in price of raw material, partially offset by in the increase in sales volume of lithium-ion batteries. Cost of sales from sales of lead-acid batteries increased from RMB1,900.4 million in 2023 and RMB2,466.8 million in 2024 due to the increase in sales volume of lead-acid batteries.

Cost of sales of others increased from RMB62.5 million in 2023 to RMB92.5 million in 2024 primarily due to the increase in the volume of wastes.

Gross Profit and Gross Profit Margin

As a result of the foregoing, gross profit decreased from RMB866.8 million in 2023 to RMB750.9 million in 2024. Gross profit margin decreased from 20.3% in 2023 to 16.7% in 2024.

Gross Profit and Gross Profit Margin by Application Scenario

From the perspective of gross profit and gross profit margin by application scenario, gross profit from sales of batteries in telecom base stations decreased from RMB578.4 million in 2023 to RMB470.3 million in 2024, and the gross profit margin decreased from 23.5% in 2023 to 20.5% in 2024. This was primarily driven by a decrease in the gross profit margin of lead-acid batteries, resulting from an increase in raw material costs.

Gross profit from sales of batteries used in data centers decreased from RMB169.9 million in 2023 to RMB191.1 million in 2024, and the gross profit margin decreased from 18.9% in 2023 to 13.7% in 2024. This decrease was primarily driven by an increase in raw material costs, particularly lead ingots. Additionally, the decrease in gross profit margin was influenced by our decision to accept competitive pricing in response to prevailing market trends.

Gross profit from batteries used in electrical energy storage settings decreased from RMB81.5 million in 2023 to RMB40.4 million in 2024, while the gross profit margin decreased from 16.7% in 2023 to 9.0% in 2024. The decrease in gross profit margin was primarily attributed to a decrease in the average selling price of batteries used in electrical energy storage settings. In response to the competitive landscape in the electrical energy storage market, we aligned the average selling prices of our batteries used in electrical energy storage settings with the market price, resulting in the decreased gross profit margin in 2024.

Gross profit from other settings increased from RMB31.4 million in 2023 to RMB46.2 million in 2024, and the gross profit margin increased from 9.3% in 2023 to 17.7% in 2024. The increase in gross profit margin was primarily attributed to our strategic focus on partnering with valued customers. By providing tailored solutions and high-quality products, we were able to enhance efficiency and value, resulting in the increase in gross profit margin.

Gross Profit and Gross Profit Margin by Product

Gross profit of lithium-ion batteries decreased from RMB424.4 million in 2023 to RMB307.7 million in 2024. Gross profit margin of sales of lithium-ion batteries decreased from 22.9% in 2023 to 20.6% in 2024. This decrease was primarily driven by competition in the electrical energy storage market, resulting in a decrease in gross profit margin of batteries used in electrical energy storage settings.

Gross profit of lead-acid batteries remained stable at RMB436.9 million in 2023 and RMB440.4 million in 2024. Gross profit margin of sales of lead-acid batteries decreased from 18.7% in 2023 to 15.1% in 2024 due to the fluctuation in price of raw materials. According to Frost & Sullivan, lead ingots, the primary raw material for lead-acid batteries, account for approximately 60.0% of their total production cost, making them a significant factor in determining battery prices. In 2024, the average price of lead ingots increased to RMB16,858.8 per ton, driven by the growing demand for lead.

Gross profit of others decreased from RMB5.5 million in 2023 to RMB2.8 million in 2024. Gross profit margin of others decreased from 8.1% in 2023 to 2.9% in 2024. We collected and paid for waste from our customers, and then sold it to waste processors. The purchase price of the waste is determined based on the market price in the month it is collected and recorded as a cost of sales. The sales price is determined based on the market price in the month it is sold and recorded as revenue. Due to the natural fluctuations in waste prices driven by supply and demand, there was a time lag between collection and sale for a particular batch.

Other Income and Gains

Other income and gains increased from RMB77.7 million in 2023 to RMB115.6 million in 2024, primarily due to an increase in government grants from RMB36.4 million in 2023 to RMB79.9 million in 2024 as we received new government grant in 2024, and partially offset by a decrease in interest income from RMB19.3 million in 2023 to RMB14.8 million in 2024 due to a decrease in interest rate, and a decrease in foreign exchange gains of RMB12.3 million in 2023 to RMB10.6 million in 2024, which in turn was primarily due to fluctuations in the exchange rate between the U.S. dollar and RMB.

Selling and Marketing Expenses

Selling and marketing expenses decreased from RMB151.8 million in 2023 to RMB138.0 million in 2024, primarily due to a decrease in employee compensation from RMB102.8 million in 2023 to RMB74.6 million in 2024, which was attributable to improved efficiency and lower incentive compensation. Travel expenses increased from RMB14.7 million in 2023 to RMB16.3 million in 2024, which was due to an increase in sales-related travel overseas. Advertising and promotional expenses increased from RMB7.2 million in 2023 to RMB14.2 million in 2024 which was in turn due to a higher number of overseas exhibitions, leading to increased advertising and promotional expenses.

Administrative Expenses

Administrative expenses decreased from RMB162.7 million in 2023 to RMB156.5 million in 2024. Employee compensation decreased from RMB99.1 million in 2023 to RMB78.7 million in 2024 which was primarily due to our initiatives to optimize workforce allocation and enhance operational efficiency within administrative functions. **[REDACTED]** increased from **[REDACTED]** in 2023 to RMB**[REDACTED]** in 2024, which was in relation to the **[REDACTED]** and the **[REDACTED]**. Professional service fees decreased from RMB19.4 million in 2023 to RMB11.8 million in 2024 due to the procurement of professional service in 2023 in relation to the **[REDACTED]** attempt of our Shares on the Shenzhen Stock Exchange. The **[REDACTED]** was withdrawn in 2024.

Research and Development Expenses

Research and development expenses decreased from RMB112.8 million in 2023 to RMB110.5 million in 2024. Employee compensation remained stable at RMB62.5 million in 2023 and RMB63.7 million in 2024. Materials and utilities costs decreased from RMB32.5 million in 2023 to RMB25.7 million in 2024, due to a decrease in the cost of raw material associated with R&D activities which was in turn due to the decrease in raw material prices and our improved R&D efficiency, which allowed for the use of less material in our R&D activities.

Impairment Losses on Financial and Contract Assets, Net

Impairment losses on financial and contract assets, net increased from RMB6.3 million in 2023 to RMB19.2 million in 2024 due to the increase in impairment of trade and bills receivables as a result of our increasing trade and bills receivables balance as of December 31, 2024.

Other Expenses

Other expenses decreased from RMB34.1 million in 2023 to RMB20.2 million in 2024, primarily due to the decrease in impairment losses on assets of a disposal group classified as held for sale from RMB15.7 million in 2023 to nil in 2024.

Finance Costs

Finance costs decreased from RMB30.0 million in 2023 to RMB19.8 million in 2024, primarily due to the decrease in interest and principals of bank and other borrowings.

Share of Profits and Losses of an Associate

Share of profits and losses of an associate increased from a loss of RMB0.5 million in 2023 to a gain of RMB0.4 million in 2024 due to the increase in profit from such associate.

Income Tax Expense

Income tax credit/(expense) decreased from RMB61.0 million in 2023 to RMB49.4 million in 2024, which was attributed to the decreased net profit before income tax during the year.

Profit for the Year

As a result of the above, profit for the year decreased from RMB385.2 million in 2023 to RMB353.3 million in 2024.

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

Revenues

Revenues increased from RMB4,072.5 million in 2022 to RMB4,259.8 million in 2023.

Revenues by Application Scenario

Revenues from sales of batteries used in telecom base stations decreased from RMB2,641.0 million in 2022 to RMB2,464.0 million in 2023, which was in turn due to the decrease in sales volume of batteries used in telecom base stations from 4,252.8 MWh in 2022 to 3,648.9 MWh in 2023 as a result of the slowdown in new telecom base station construction. Average selling price of batteries used in telecom base stations increased from RMB621.0/kWh in 2022 to

RMB675.3/kWh in 2023, which was primarily due to our ability to charge higher price from our customers due to the supply-demand dynamics and in recognition of our brand awareness and product quality.

Revenues from sales of batteries used in data centers increased from RMB764.8 million in 2022 to RMB899.9 million in 2023, which was in turn due to an increase in demand of batteries used in data centers, evidenced by the increase in sales volume of batteries used in data centers from 1,397.3 MWh in 2022 to 1,636.0 MWh in 2023. Increase in sales volume of batteries used in data centers was in turn due to the supply-demand dynamics, which allowed us to capitalize on the growing market demand and secure a larger market share. Average selling price of batteries used in data centers remained stable at RMB547.4/kWh in 2022 and RMB550.1/kWh in 2023.

Revenues from electrical energy storage increased from RMB302.4 million in 2022 to RMB488.0 million in 2023, which was primarily due to the increase in sales volume from 329.4 MWh in 2022 to 482.2 MWh in 2023 and the increase in average selling price from RMB918.0/kWh to RMB1,012.0/kWh. The increase in sales volume was due to our entry into new markets and creating new products to cater to various customer requirements. Increase in the average selling price was primarily due to the change in the structure of the products sold, as we sold more batteries at higher selling price.

Revenues from other settings increased from RMB281.9 million in 2022 to RMB339.9 million in 2023, which was primarily due to the increase in sales volume and average selling price. Sales volume of batteries used in other settings increased from 613.4 MWh in 2022 to 739.3 MWh in 2023 due to the supply-demand dynamics and the positive perception of our brand and product reliability by customers, allowing us to successfully secure more orders. Average selling price of batteries used in other settings remained stable at RMB459.6/kWh in 2022 and RMB459.7/kWh in 2023.

Revenues by Product

From the perspective of revenues by product, increase in revenues was primarily due to the increase in revenues from sales of lithium-ion batteries from RMB1,568.5 million in 2022 to RMB1,854.6 million in 2023, which in turn due to an increase in demand of lithium-ion batteries, evidenced by the increase in sales volume of lithium-ion batteries increased from 1,654.1 MWh in 2022 to 1,894.0 MWh in 2023. Average selling price of lithium-ion batteries remained stable at RMB948.3/kWh in 2022 and RMB979.2/kWh in 2023.

Revenues from sales of lead-acid batteries remained stable at RMB2,421.6 million in 2022 and RMB2,337.2 million in 2023. Sales volume of lead-acid batteries decreased from 4,938.9 MWh in 2022 to 4,612.3 MWh in 2023, which was primarily due to the decrease in demand of lead-acid batteries. Average selling price of lead-acid batteries remained stable at RMB490.3/kWh in 2022 and RMB506.7/kWh in 2023.

Revenues from others decreased from RMB82.3 million in 2022 to RMB68.0 million in 2023, which was primarily due to a decrease in the volume of wastes.

Cost of Sales

Cost of sales remained stable at RMB3,382.9 million in 2022 and RMB3,393.0 million in 2023 primarily due to our ability to control cost efficiencies while simultaneously increasing sales volume and revenues.

From the perspective of analysis by application scenario, cost of sales batteries used in telecom base stations decreased from RMB2,216.4 million in 2022 to RMB1,885.6 million in 2023. Such a decrease was primarily due to the decreased sales volume of batteries used in telecom base stations. Cost of sales of batteries used in data centers increased from RMB634.0 million in 2022 to RMB730.0 million in 2023. Such an increase was primarily due to the increased sales volume of batteries used in data centers. Cost of sales of batteries used in electrical energy storage settings increased from RMB233.8 million in 2022 to RMB406.5 million in 2023, which was primarily due to the increased sales volume of batteries used in electrical energy storage settings. Cost of sales of batteries used in other settings increased from RMB233.0 million in 2022 to RMB308.4 million in 2023, which was primarily due to the increase in sales volume of batteries used in other settings.

From the perspective of analysis by product, cost of sales from sales of lithium-ion batteries increased from RMB1,279.1 million in 2022 to RMB1,430.2 million in 2023 primarily due to an increase in sales volume of lithium-ion batteries. Cost of sales from sales of lead-acid batteries decreased from RMB2,028.2 million in 2022 to RMB1,900.4 million in 2023 primarily due to a decrease in sales volume of lead-acid batteries.

Cost of sales of others decreased from RMB75.6 million in 2022 to RMB62.5 million in 2023, primarily due to the decrease in the sales volume of battery wastes.

Gross Profit and Gross Profit Margin

As a result of the foregoing, gross profit increased from RMB689.6 million in 2022 to RMB866.8 million in 2023. Gross profit margin increased from 16.9% in 2022 to 20.3% in 2023.

Gross Profit and Gross Profit Margin by Application Scenario

From the perspective of gross profit and gross profit margin by application scenario, gross profit from sales of batteries in telecom base stations increased from RMB424.6 million in 2022 to RMB578.4 million in 2023, while the gross profit margin increased from 16.1% in 2022 to 23.5% in 2023. Such an increase was primarily due to the increase in average selling price of batteries in telecom base stations and our ability to reduce costs and enhance production efficiency. We invested in advanced technologies and automation, which significantly lowered manufacturing costs and improved overall operational efficiency.

Gross profit from sales of batteries in data centers increased from RMB130.8 million in 2022 to RMB169.9 million in 2023, while the gross profit margin increased from 17.1% in 2022 to 18.9% in 2023. Such an increase was primarily due to the growing demand for data storage and processing capabilities, driven by the expansion of cloud computing, and artificial intelligence applications. This surge in demand led to higher sales volumes of batteries in data centers and allowed us to benefit from economies of scale, as the higher sales volume allowed us to reduce per-unit costs and improve operational efficiency.

Gross profit from electrical energy storage settings increased from RMB68.6 million in 2022, to RMB81.5 million in 2023, while the gross profit margin decreased from 22.7% in 2022 to 16.7% in 2023. This decrease in gross profit margin was primarily due to a change in the structure of the products sold, as we sold more batteries in electrical energy storage settings at higher selling price but lower gross profit margin in recognition of our customer expansion needs.

Gross profit from other settings decreased from RMB58.9 million in 2022 to RMB31.4 million in 2023, while the gross profit margin decreased from 20.9% in 2022 to 9.3% in 2023 as a result of changes in our product mix. We sold more batteries in others settings at higher prices but with lower gross profit margins in 2023.

Gross Profit and Gross Profit Margin by Product

From the perspective of gross profit and gross profit margin by product, gross profit of lithium-ion batteries increased from RMB289.4 million in 2022 to RMB424.4 million in 2023. Gross profit margin of sales of lithium-ion batteries increased from 18.5% in 2022 to 22.9% in 2023. Increase in gross profit margin of sales of lithium-ion batteries was in turn primarily due to the strong reputation our brand and products have with customers. Gross profit of lead-acid batteries increased from RMB393.5 million in 2022 to RMB436.9 million in 2023. Gross profit margin of sales of lead-acid batteries increased from 16.2% in 2022 to 18.7% in 2023. This increase was primarily due to our efforts to reduce costs, including optimizing the supply chain and improving production efficiencies, which lowered the overall cost of production of lead-acid batteries.

Gross profit of others decreased from RMB6.7 million in 2022 to RMB5.5 million in 2023. Gross profit margin of others remained stable at 8.2% in 2022 and 8.1% in 2023, respectively.

Other Income and Gains

Other income and gains increased from RMB50.6 million in 2022 to RMB77.7 million in 2023 primarily due to an increase in interest income from RMB3.4 million in 2022 to RMB19.3 million in 2023, an increase in governmental subsidies from RMB25.1 million in 2022 to RMB36.4 million in 2023, which was in turn due to enhanced government support for sustainable energy initiatives and increased funding for technological innovation in the energy storage industry; partially offset by a decrease in foreign exchange gains of RMB17.5 million in 2022 to RMB12.3 million in 2023, which in turn was due to fluctuations in the exchange rate between the U.S. dollar and the Chinese yuan.

Selling and Marketing Expenses

Selling and marketing expenses increased from RMB100.3 million in 2022 to RMB151.8 million in 2023 primarily due to an increase in employee compensation from RMB70.3 million in 2022 to RMB102.8 million in 2023, which was generally in line with our business expansion from 2022 to 2023. Travel expenses increased from RMB8.6 million in 2022 to RMB14.7 million in 2023 which was due to the lifting of travel restrictions following the end of the COVID-19 pandemic, which led to an increase in sales-related travel.

Administrative Expenses

Administrative expenses increased from RMB126.5 million in 2022 to RMB162.7 million in 2023, primarily due to the increase in employee compensation RMB85.5 million in 2022 to RMB99.1 million in 2023, which was generally in line with our business expansion in 2023, and the increase in professional service fees from RMB8.6 million in 2022 to RMB21.0 million in 2023, which was in turn attributed to the preparation of the **[REDACTED]** attempt of our Shares on the Shenzhen Stock Exchange.

Research and Development Expenses

Research and development expenses increased from RMB100.7 million in 2022 to RMB112.8 million in 2023, primary due to the increase in the employee compensation from RMB54.9 million in 2022 to RMB62.5 million in 2023, and the increase in material and utility costs, which was generally in line with our research development during the corresponding years.

Impairment Losses on Financial and Contract Assets, Net

Impairment losses on financial and contract assets, net changed from a loss of RMB22.6 million in 2022 to a loss of RMB6.3 million in 2023, primarily due to a decrease in impairment losses on accounts receivable from RMB21.5 million in 2022 to RMB5.3 million in 2023, which was in turn due to our enhanced credit control measures and improved collection processes.

Other Expenses

Other expenses increased from RMB21.5 million in 2022 to RMB34.1 million in 2023, primarily due to an increase in impairment losses on assets of a disposal group classified as held for sale, which represented the impairment loss of assets and liabilities of Huai'an Huifeng Juneng, which was classified as a disposal group held for sale.

Finance Costs

Finance costs decreased from RMB49.4 million in 2022 to RMB30.0 million in 2023, primarily due to the decrease in interest on bank and other borrowings to optimize our capital structure.

Share of Profits and Losses of an Associate

Share of profits and losses of an associate generally remained stable at RMB0.6 million in 2022 and RMB0.5 million in 2023.

Income Tax Credit/(Expense)

Income tax expense increased from a tax expense of RMB37.6 million in 2022 to RMB61.0 million in 2023, which was attributed to the increase in profit before tax of RMB318.7 million in 2022 and RMB446.2 million in 2023.

Profit for the Year

As a result of the above, profit for the year increased from RMB281.0 million in 2022 to RMB385.2 million in 2023.

DISCUSSION OF CERTAIN SELECTED ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth selected information from our consolidated statements of financial position as of the dates indicated.

	As of December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
ASSETS			
Non-current Assets			
Property, plant and equipment	832,046	1,084,247	1,217,124
Right-of-use assets	135,628	156,706	165,108
Other intangible assets	7,352	7,149	8,321
Investment in an associate	16,813	16,338	16,766
Prepayments, other receivables and other assets	2,686	7,144	2,358
Contract assets	6,908	8,410	13,154
Deferred tax assets	46,496	67,188	74,113
Restricted cash	–	35,392	23,567
Total non-current assets	**1,047,929**	**1,382,574**	**1,520,511**
Current assets			
Inventories	536,962	459,234	513,506
Trade and bills receivables	1,862,211	1,609,318	2,318,281
Contract assets	1,608	7,020	546
Prepayments, other receivables and other assets	82,730	63,930	85,290
Financial assets at fair value through profit or loss	–	–	86,000
Debt investments at fair value through other comprehensive income	6,909	15,655	3,073
Derivative financial instruments	–	–	3,355
Restricted cash	228,740	303,497	235,134
Cash and cash equivalents	270,264	479,040	395,234
Assets of a disposal group classified as held for sale	–	7,634	–
Total current assets	**2,989,424**	**2,945,328**	**3,640,419**

	As of December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
LIABILITIES			
Current liabilities			
Trade and bills payables	701,876	837,172	973,979
Other payables and accruals	411,361	413,314	558,678
Derivative financial instruments	–	–	842
Contract liabilities	36,778	63,014	39,640
Interest-bearing bank and other borrowings	944,845	410,528	673,333
Deferred government grants	12,817	17,633	20,878
Lease liabilities	5,128	6,496	8,017
Tax payable	25,666	29,670	27,908
Due to related parties	4,834	3,771	5,720
Provisions	7,300	7,794	7,158
Liabilities directly associated with the assets classified as held for sale	–	1,472	–
Total current liabilities	**2,150,605**	**1,790,864**	**2,316,153**
Net current assets	**838,819**	**1,154,464**	**1,324,110**
Total assets less current liabilities	**1,886,748**	**2,537,038**	**2,844,777**

	As of December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Non-current liabilities			
Interest-bearing bank and other borrowings	51,200	297,425	255,404
Deferred government grants	73,252	118,490	161,621
Lease liabilities	4,864	3,893	8,597
Provisions	29,304	32,069	31,694
Total non-current liabilities	**158,620**	**451,877**	**457,316**
Net assets	**1,728,128**	**2,085,161**	**2,387,461**
Equity			
Share capital	358,269	358,269	358,269
Other reserves	1,369,859	1,726,892	2,029,192
	1,728,128	**2,085,161**	**2,387,461**
Total equity	**1,728,128**	**2,085,161**	**2,387,461**

Assets

Property, Plant and Equipment

Property, plant and equipment primarily consist of buildings, plants, machinery, office equipment, and construction in progress. Property, plant and equipment increased from RMB832.0 million as of December 31, 2022 to RMB1,084.2 million as of December 31, 2023, mainly in line with the expansion and construction progress of our plant. This increase was primarily due to the expansion in our buildings, plants, and machinery, as there were related investments starting with the construction of a plant in Xiangyang, Hubei in May 2023. Property, plant and equipment increased further to RMB1,217.1 million as of December 31, 2024, which was primarily due to the commissioning and investment the construction of the plant in Xiangyang, Hubei.

Right-of-Use Assets

Right-of-use assets mainly related to leased premises of plants, warehouses, and offices. Right-of-use assets increased from RMB135.6 million as of December 31, 2022 to RMB156.7 million as of December 31, 2023, mainly due to the increase in the carrying value of leasehold land. Right-of-use assets further increased to RMB165.1 million as of December 31, 2024, mainly due to the addition of new leased plants.

Other Intangible Assets

Other intangible assets mainly represented intellectual properties in connection with our business operation. Other intangible assets remained stable at RMB7.4 million as of December 31, 2022 and RMB7.1 million as of December 31, 2023. Other intangible assets further increased to RMB8.3 million as of December 31, 2024, mainly due to the enhancements made to our ERP system and other softwares in relation to our daily operation.

Investment in an Associate

Investment in an associate mainly related to our holding of an 18% equity stake in Shuangdeng Tianpeng. Investment in an associate remained stable at RMB16.8 million, RMB16.3 million and RMB16.8 million as of December 31, 2022, 2023 and 2024, respectively.

Prepayments, Other Receivables and Other Assets

Prepayments, other receivables, and other assets mainly related to prepaid value-added tax and prepayments for the purchase of raw material such as lead ingots, lead alloys and lithium iron phosphate, which are necessary for our daily operations, as well as deposits, and other receivables. The following table sets forth breakdown of prepayments, other receivables, and other assets as of the dates indicated.

	As of December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Prepayments, other receivables and other assets			
Non-current portion	2,686	7,144	2,358
Current portion	82,730	63,930	85,290
Total	**85,416**	**71,074**	**87,648**

Prepayments, other receivables and other assets decreased from RMB85.4 million as of December 31, 2022 to RMB71.1 million as of December 31, 2023, mainly due to a decrease in prepayments of raw materials to our suppliers from RMB66.8 million as of December 31, 2022 to RMB27.0 million as of December 31, 2023. Prepayments, other receivables and other assets increased to RMB87.6 million as of December 31, 2024, mainly due to an increase in prepayments for value-added tax and security deposits.

As of January 31, 2025, RMB28.7 million, or 32.8%, of our prepayments, other receivables and other assets outstanding as of December 31, 2024, had been subsequently settled or utilized.

Deferred Tax Assets

Deferred tax assets primarily represented credit impairment provisions, asset impairment provisions, deductible losses, and deferred income. Deferred tax assets amounted to RMB46.5 million, RMB67.2 million and RMB74.1 million as of December 31, 2022, 2023 and 2024. The movement of deferred tax assets during the Track Record Period was primarily due to changes in impairment provisions, recognition and utilization of deductible losses and timing differences related to deferred government grants and accrued expenses.

Inventories

Inventories primarily include raw material, work-in-progress and finished goods. Inventories decreased from RMB537.0 million as of December 31, 2022 to RMB459.2 million as December 31, 2023, mainly due to the decrease in raw material. Inventories increased to RMB513.5 million as of December 31, 2024 due to the increase in stocking of work-in-progress and finished goods as well as the decrease in impairment allowance.

The provision for inventory impairment is based on a detailed assessment of the net realizable value of inventory items compared to their carrying amounts. This process involves evaluating market conditions, including fluctuations in raw material prices, and considering factors such as demand forecasts and obsolescence risks. The provision for impairment loss recognized of inventories amounted to RMB14.8 million, RMB53.8 million and RMB31.5 million as of December 31, 2022, 2023 and 2024, respectively. The increases in provision for impairment loss of inventories in 2023 were primarily due to the fluctuation of the price of raw materials, which led to a decrease in the recoverable amount of inventories to below their carrying amount. For details of fluctuation on raw material prices, see "Industry Overview — Battery and Raw Materials Price Analysis" in this document.

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

	Year Ended December 31,		
	2022	2023	2024
Inventory turnover days*	52.2	52.8	46.7

Note:

* *Inventory turnover days for each year equals the average of the beginning and ending balances of inventory for that year divided by the corresponding cost of sale for the year, multiplied by 360 days for a year.*

Inventory turnover days remained stable at 52.2 days in 2022 and 52.8 days in 2023. Inventory turnover days decreased to 46.7 days in 2024 due to our improved inventory utilization efficiency.

The following table sets forth an aging analysis of our inventories as of the dates indicated.

	As of December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Within 6 months	530,024	456,056	510,731
7 to 12 months	6,938	3,178	2,775
Above 1 year	–	–	–
Total	**536,962**	**459,234**	**513,506**

As of January 31, 2025, RMB306.3 million, or 55.6%, of our inventories outstanding as of December 31, 2024, had been subsequently sold or utilized.

Trade and Bills Receivables

We had trade and bills receivables of RMB1,862.2 million, RMB1,609.3 million and RMB2,318.3 million as of December 31, 2022, 2023 and 2024. Trade receivables and bills receivables primarily represented the outstanding amounts due from customers in connection with the products we provide. The table below sets forth breakdowns of trade, bills and other receivables as of the dates indicated.

	As of December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	1,876,808	1,601,100	2,303,208
Bills receivables	71,384	84,467	108,186
Less: Impairment loss allowance for trade and bills receivables	(85,981)	(76,249)	(93,113)
Total	**1,862,211**	**1,609,318**	**2,318,281**

Trade receivables mainly related to sales made to customers in the telecom and data centers industries. These receivables represent amounts owed by customers for batteries delivered rendered in the ordinary course of our business. Trade receivables decreased from RMB1,876.8 million as of December 31, 2022 to RMB1,601.1 million as of December 31, 2023, mainly due to the improved collection of receivables as we implemented more stringent credit control and collection practices, resulting in more timely payments from customers and a reduction in outstanding receivables. Trade receivables increased to RMB2,318.3 million as of December 31, 2024. As market demand continued to grow over 2024, especially for batteries used in data centers, we recorded higher portion of revenues in the six months ended December 31, 2024, compared to the six months ended December 31, 2023. Normally, revenues generated in the second half of a year are not due as of the year-end, resulting in an increase in trade receivables balance as of December 31, 2024.

Bills receivables mainly related to commercial transactions with customers made through bank acceptance bills. Bills receivables increased from RMB71.4 million as of December 31, 2022 to RMB84.5 million as of December 31, 2023, mainly due to higher sales volumes and an increase in payments made through bank acceptance bills. Bills receivables further increased to RMB108.2 million as of December 31, 2024, mainly due to an increase in customer payments made through bank acceptance bills.

We seek to maintain strict control over our outstanding receivables and have a credit control department to minimize credit risk. Our management regularly reviews the recoverability of our outstanding balances and when appropriate, provides for impairment of these trade receivables. Trade and bills receivables relating to customers with known financial difficulties or significant doubt on collection are assessed individually for impairment allowance. The remaining trade and bills receivables are grouped and collectively assessed for impairment allowance. Under the collective approach, an impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on aging analysis for grouping of customers that have similar loss patterns. Generally, trade and bills receivables are written off according to management approval. See Note 20 to the Accountants' Report included in Appendix I to this document. We believe that our exposure to the risks of being unable to collect payments is immaterial.

Expected loss rates of trade receivables applied to the different age buckets during the Track Record Period are based on historical loss rates over the past years. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. Our Group has identified the Gross Domestic Product ("**GDP**") to be the most relevant factor, and the other factors such as historical global all-industry default rate data and annual defaulted corporate bond and loan recoveries, and accordingly adjusts the historical loss rates based on expected changes in the growth of GDP in China. During the Track Record Period, there was no significant fluctuation for such factors, hence no significant fluctuation for the overall expected credit loss rates. As a result of the foregoing, we applied similar expected credit loss rate during the Track Record Period.

The following table sets forth an aging analysis of trade and bills receivables as of the dates indicated.

	As of December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Within 6 months	1,539,794	1,353,109	2,002,842
7 to 12 months	219,859	162,330	207,905
1 to 2 years	88,935	84,630	100,448
2 to 3 years	11,976	8,772	6,132
3 to 4 years	1,647	477	954
Total	**1,862,211**	**1,609,318**	**2,318,281**

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

	Year Ended December 31,		
	2022	2023	2024
Trade and bills receivables turnover days*	136.5	146.7	157.2

Note:

* *Trade and bills receivables turnover days for each year equals the average of the beginning and ending balances of trade and bills receivables for that year divided by the corresponding revenues for the year, multiplied by 360 days for a year.*

Trade and bills receivables turnover days increased from 136.5 days in 2022 to 146.7 days in 2023 due to a slowdown in our revenues growth. In 2022, we recorded a significant increase in year-end trade and bills receivables balances, resulting in relatively lower turnover days. In 2023, the slowdown in revenue growth, coupled with only a slight decrease in trade receivables, caused the turnover days to increase. Trade and bills receivables turnover days further increased to 157.2 days in 2024. As market demand continued to grow over 2024, especially for batteries used in data centers, we recorded higher portion of revenues in the six months ended December 31, 2024, compared to the six months ended December 31, 2023. Normally, revenues generated in the second half of a year are not due as of the year-end, resulting in an increase in trade receivables turnover days in 2024.

The following table sets forth the trade and bills receivables and the subsequent settlement of such trade and bills receivables by age group as of the dates indicated.

	As of December 31,					
	2022		2023		2024	
	Trade and Bills Receivables	Subsequent Settlement	Trade and Bills Receivables	Subsequent Settlement	Trade and Bills Receivables	Subsequent Settlement
	RMB'000		*RMB'000*		*RMB'000*	
Within 6 months	1,539,794	1,530,029	1,353,109	1,241,663	2,002,842	367,055
7 to 12 months	219,859	217,877	162,330	136,392	207,905	12,382
1 to 2 years	88,935	83,501	84,630	75,569	100,448	14,781
2 to 3 years	11,976	11,253	8,772	4,299	6,132	174
3 to 4 years	1,647	1,071	477	270	954	–
Total	**1,862,211**	**1,843,730**	**1,609,318**	**1,458,193**	**2,318,281**	**394,392**

The following tables set forth breakdowns of revenues by customer type for the years indicated.

	For the year ended December 31,					
	2022		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
SOEs*	2,311,712	56.8	2,170,749	51.0	1,740,450	38.7
Other companies	1,760,768	43.2	2,089,028	49.0	2,758,072	61.3
Total	**4,072,480**	**100.0**	**4,259,777**	**100.0**	**4,498,522**	**100.0**

Note:

* *including sales to governments, which are generally similar in nature and account for a small portion of our total revenues.*

The following tables set forth breakdowns of trade and bills receivables balance by customer type as of the dates indicated.

	As of December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
SOEs*	1,093,947	754,264	987,405
Other companies	768,264	855,054	1,330,876
Total	**1,862,211**	**1,609,318**	**2,318,281**

Note:

* *including sales to governments, which are generally similar in nature and account for a small portion of our total trade and bills receivables.*

Furthermore, we have implemented a series of measures to mitigate the impact of these delays. This includes enhancing our communication channels with key decision-makers within these organizations, streamlining our invoicing processes, and providing flexible payment options, i.e., extended credit period that accommodate their unique needs.

As of January 31, 2025, RMB394.4 million, or 17.0%, of trade and bills receivables as of December 31, 2024 had been subsequently settled. As of January 31, 2025, we have RMB15.5 million in unsettled trade and bill receivables that are subject to disputes, claims, or legal proceedings. Based on the expected credit loss (ECL) model, we have made full impairment provisions for these unsettled receivables. Our Directors are of the view that these matters have no material adverse impact on our business operations and financial performance. Save as disclosed above, we did not experience any material credit loss during the Track Record Period.

According to Frost & Sullivan, the energy storage battery industry is characterized by relatively long receivables turnover days, primarily due to the composition of customers and the nature of projects. Our key customers such as state-owned enterprises and publicly listed companies, typically have complex procurement processes and extended credit cycles, which lead to longer payment timelines. Additionally, projects in the energy storage battery industry are typically large in scale and involve multiple stages, such as design, production, construction, installation, and acceptance. Payments are often contingent upon achieving specific progress points, which can be delayed due to factors outside the Company's control. These factors include coordination among various stakeholders, such as battery manufacturers, system integrators, and installation service providers, as well as the timing of inspections, approvals, and trial operations. As a result, these dynamics contribute to extended collection periods for trade and bills receivables. Any delays caused by these other third parties, or unforeseen changes during project development can further postpone the payment schedule. In addition, state-owned enterprises, government institutions, and publicly listed companies generally possess strong pricing power, which makes it difficult for us to negotiate contracts with favorable payment terms. This further contributes to the extended receivables turnover days typical in the industry.

Notwithstanding that (i) a material portion of the trade and bills receivables was aged over one year during the Track Record Period, and (ii) trade and bills receivables subject to disputes, claims, or legal proceedings amounted to RMB15.5 million as of January 31, 2025, our Directors believe that our unsettled trade and bills receivables are substantially recoverable due to (i) the customers tied to the unsettled trade and bills receivables aged over one year are primarily state-owned enterprises and publicly listed firms, which have historically demonstrated reliable payment behavior; (ii) as of January 31, 2025, only RMB15.5 million of the unsettled trade and bills receivables — representing less than 1.0% of the total trade and bills receivables — is subject to disputes, claims, or legal proceedings; (iii) there is no past track record of material default by such customers; and (iv) we maintain timely and consistent communication with these customers to ensure progress on payments.

We have conducted credit assessments of its our customers, and most customers with outstanding balances have historically demonstrated timely payments and strong financial standing. We applied the stringent Know Your Customer (KYC) and customer selection processes. As part of the KYC process, we conducted thorough verification of our customers' identities, including collecting business registration certificates, tax identification numbers, and ownership details. Additionally, we performed due diligence checks, screening customers against international sanctions lists, anti-money laundering databases, and politically exposed persons lists to assess potential risks. The customer selection process further ensures that we only engaged with financially stable and reputable customers by evaluating their creditworthiness, payment history, and financial standing.

To address unsettled trade and bills receivables, we have implemented several targeted measures. First, we actively strengthen communication with key customers to ensure timely progress. Our dedicated receivables management team monitors overdue payments, investigates delays, and works closely with customers to expedite collections, including assisting with procedural or approval issues on their end. Additionally, we conduct thorough credit assessments prior to entering contracts and negotiate favorable terms, such as upfront deposits or shorter payment intervals for higher-risk projects. In cases of prolonged overdue trade and bills receivables, we work with customers experiencing temporary financial difficulties to agree on adjusted repayment arrangements or, when necessary, pursue legal action to recover outstanding amounts.

Restricted Cash

Restricted cash were deposited to banks for the issue of letter of credits. We had restricted cash of RMB228.7 million and RMB338.9 million as of December 31, 2022, 2023 respectively. The increases in the restricted cash were mainly due to the higher requirement for collateral associated with increased bills payables and letter of credits. Restricted cash decreased to RMB258.7 million as of December 31, 2024, which was due to the counterparty, recognizing our creditworthiness, lowered the margin ratio required for the bills payables.

Cash and Cash Equivalents

We had cash and cash equivalents of RMB270.3 million, RMB479.0 million and RMB395.2 million as of December 31, 2022, 2023 and 2024, respectively. The increases in cash and cash equivalents were mainly due to the increase in cash generated from operating activities. For details of movement of cashflows during the Track Record Period, see "— Liquidity and Capital Resources – Cash Flows" in this section.

Net Assets and Net Current Assets

Net assets amounted to RMB1,728.1 million, RMB2,085.2 million and RMB2,387.5 million as of December 31, 2022, 2023 and 2024, respectively. The fluctuation of our net assets during the Track Record Period were primarily due to (i) total comprehensive income generated for the respective year, (ii) issue of shares, (iii) share-based compensation reserve and (iv) dividend distributed during the respective year.

Net current assets amounted to RMB838.8 million, RMB1,154.5 million and RMB1,324.1 million as of December 31, 2022, 2023 and 2024, respectively. See "— Liquidity and Capital Resources — Net Current Assets" of this section for the reasons for the fluctuation of net current assets during the Track Record Period.

Liabilities

Trade and Bills Payables

We had trade and bills payables of RMB701.9 million, RMB837.2 million and RMB974.0 million as of December 31, 2022, 2023 and 2024, respectively. Trade and bills payables were outstanding amount due to third parties, mainly our suppliers for raw material and service providers. Certain suppliers with long-term partnership allowed us to pay on credit given our increasing business scale and good credibility. The movement of trade and bills payables during the Track Record Period was generally in line with our business expansion during the Track Record Period.

The following table sets forth an aging analysis of trade and bills payables as of the dates indicated.

	As of December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	701,876	837,172	973,979
Total	**701,876**	**837,172**	**973,979**

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

	Year Ended December 31,		
	2022	2023	2024
Trade and bills payables turnover days*	69.3	81.6	87.0

Note:

* *Trade and bills payables turnover days for each year equals the average of the beginning and ending balances of trade and bills payables for that year divided by the corresponding cost of revenues for the year, multiplied by 360 days for a year.*

Trade and bills payables turnover days increased from 69.3 days in 2022 to 81.6 days in 2023 and further increased to 87.0 days in 2024, primarily due to extended payment terms negotiated with suppliers to manage working capital more effectively and to support increased procurement volumes.

As of January 31, 2025, RMB360.6 million, or 37.0%, of trade and bills payables as of December 31, 2024 had been subsequently settled.

Other Payables and Accruals

Other payables and accruals primarily consisted of salary payables, which included accrued payroll and welfare, and other tax payables. Other payables and accruals increased from RMB411.4 million as of December 31, 2022 to RMB413.3 million as of December 31, 2023, mainly due to an increase in year-end bonuses payable to our staffs and increased tax liabilities. Other payables increased to RMB558.7 million as of December 31, 2024, mainly due to the increase in payable for purchase of property, plant and equipment in 2024.

Interest-Bearing Bank and Other Borrowings

Interest-bearing bank and other borrowings primarily consisted of short-term and long-term loans from financial institutions, as well as other forms of credit facilities used to support our working capital and capital expenditure requirements. Interest-bearing bank and other borrowings amounted to RMB996.0 million, RMB708.0 million and RMB928.7 million as of December 31, 2022, 2023 and 2024. The movement of interest-bearing bank and other borrowings as of December 31, 2022 and 2023 was generally due to our efforts to manage our financing needs and optimize our capital structure in response to changing business requirements and market conditions. Interest-bearing bank and other borrowings increased to RMB928.7 million as of December 31, 2024, which was primarily due to the increase in borrowings in relation to supply chain financing in connection with our raw material supplies. The table below sets forth interest-bearing bank and other borrowings as of the dates indicated.

	As of December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings			
Current portion	944,845	410,528	673,333
Non-current portion	51,200	297,425	255,404
Total	**996,045**	**707,953**	**928,737**

Deferred Government Grants

Deferred government grants primarily consisted of subsidies and financial assistance received from government entities, which are recognized as income over the years necessary to match them with the related costs they are intended to compensate. Deferred government grants increased from RMB86.1 million as of December 31, 2022 to RMB136.1 million as of December 31, 2023, mainly related to the government grants we received in connection with the construction of the plant in Xiangyang, Hubei. Deferred government grants further increased to RMB182.5 million as of December 31, 2024 due to the new government grant we received in 2024.

Liabilities Directly Associated with the Assets Classified as Held for Sale

Liabilities directly associated with the assets classified as held for sale represents our beneficial ownership in Huai'an Huifeng Juneng, which was classified as a disposal group held for sale. As of December 31, 2023, final negotiations for the sale of Huai'an Huifeng Juneng were in progress and Huai'an Huifeng Juneng was classified as a disposal group held for sale. In August 2024, Huifeng Juneng entered into an equity transfer agreement with an unaffiliated third party and the equity transfer was completed as of December 31, 2024. For details, see Note 25 to the Accountants' Report included in Appendix I to this document.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

The following table sets forth our consolidated statements of cash flows for the years indicated.

	Year Ended December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Profit before tax	318,670	446,178	402,712
Adjustments for reconcile profit before tax to net cash flows:	496,220	631,961	540,745
Cash flows generated from/(used in) operating activities	15,070	965,607	304,633
Interest received	3,402	19,260	14,814
Income taxes paid	(3,097)	(77,653)	(58,068)
Net cash flows generated from operating activities	**15,375**	**907,214**	**261,379**
Net cash flows used in investing activities	**(55,708)**	**(338,316)**	**(154,484)**
Net cash flows generated from/(used in) financing activities	**184,080**	**(376,137)**	**(203,783)**
Net increase/(decrease) in cash and cash equivalents	**143,747**	**192,761**	**(96,888)**
Cash and cash equivalents at beginning of year	**99,032**	**270,264**	**479,582**
Effect of foreign exchange rate changes, net	27,485	16,557	12,540
Cash and cash equivalents included in assets of a disposal group classified as held for sale	–	542	–
Cash and cash equivalents at end of year	**270,264**	**479,582**	**395,234**

Net Cash Flows Generated from Operating Activities

Net cash flows generated from operating activities amounted to RMB261.4 million in 2024, which primarily consists of profit before tax of RMB402.7 million, adjusted for certain non-cash and non-operating items. Adjustments for such non-cash and non-operating items primarily include (i) depreciation of items of property, plant and equipment of RMB126.3 million, (ii) finance costs of RMB19.8 million and (iii) amortization of deferred government grants of RMB18.5 million. The amount was further adjusted by interest received of RMB14.8 million, income tax paid of RMB58.1 million, and changes in working capital, primarily including (i) increase in trade and bills receivables and contract assets of RMB712.8 million, (ii) increase in trade and bills payables of RMB450.0 million, and (iii) increase in other payables and accruals of RMB14.0 million.

Net cash flows generated from operating activities amounted to RMB907.2 million in 2023, which primarily consists of profit before tax of RMB446.2 million, adjusted for certain non-cash and non-operating items. Adjustments for such non-cash and non-operating items primarily include (i) depreciation of items of property, plant and equipment of RMB110.4 million, and (ii) impairment of inventories of RMB39.0 million. The amount was further adjusted by interest received of RMB19.3 million, income tax paid of RMB77.7 million, and changes in working capital, primarily including (i) decrease in trade and bills receivables of RMB229.1 million, (ii) increase in trade and bills payables of RMB135.3 million, and (iii) increase in restricted cash of RMB110.1 million.

Net cash flows generated from operating activities amounted to RMB15.4 million in 2022, which primarily consists of profit before tax of RMB318.7 million, adjusted for certain non-cash and non-operating items. Adjustments for such non-cash and non-operating items primarily include (i) finance costs of RMB49.4 million, (ii) depreciation of items of property, plant and equipment of RMB116.6 million and (iii) foreign exchange differences, net of RMB17.5 million. The amount was further adjusted by interest received of RMB3.4 million, income tax paid of RMB3.1 million, and changes in working capital, primarily including (i) increase in trade and bills payables of RMB136.4 million, (ii) increase in inventories of RMB94.3 million, and (iii) decrease in prepayments, other receivables and other assets of RMB82.2 million.

Net Cash Flows Used in Investing Activities

Net cash flows used in investing activities in 2024 was RMB154.5 million, which consists primarily of (i) purchases of items of property, plant and equipment of RMB155.6 million, (ii) purchase of other intangible assets of RMB4.8 million, and partially offset by (iii) receipt of government grants for property, plant and equipment of RMB64.9 million.

Net cash flows used in investing activities in 2023 was RMB338.3 million, which consists primarily of (i) purchases of items of property, plant and equipment of RMB382.2 million, (ii) purchase of right-of-use assets of RMB24.9 million, and partially offset by (iii) receipt of government grants for property, plant and equipment of RMB68.4 million.

Net cash flows used in investing activities in 2022 was RMB55.7 million, which consists primarily of (i) purchases of items of property, plant and equipment of RMB80.6 million, (ii) purchase of other intangible assets of RMB3.8 million, and partially offset by (iii) receipt of government grants for property, plant and equipment of RMB26.0 million.

Net Cash Flows (Used in)/Generated from Financing Activities

Net cash flows used in financing activities in 2024 was RMB203.8 million, which consists primarily of (i) repayment of bank loans of RMB452.3 million, (ii) interest paid of RMB19.3 million, and partially offset by (iii) new bank loan of RMB358.2 million.

Net cash flows used in financing activities in 2023 was RMB376.1 million, which consists primarily of (i) repayment of bank loans of RMB1,297.6 million, (ii) interest paid of RMB29.6 million, and partially offset by (iii) new bank loan of RMB1,005.2 million.

Net cash flows generated from financing activities in 2022 was RMB184.1 million, which consists primarily of (i) new bank loan of RMB1,676.3 million, (ii) issue of share of RMB385.5 million, partially offset by (iii) repayment of bank loans of RMB1,822.6 million.

Net Current Assets

	As of December 31,			As of January 31,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Current assets				
Inventories	536,962	459,234	513,506	649,222
Trade and bills receivables	1,862,211	1,609,318	2,318,281	2,147,644
Contract assets	1,608	7,020	546	493
Prepayments, other receivables and other assets	82,730	63,930	85,290	111,932
Financial assets at fair value through profit or loss	–	–	86,000	86,000
Debt investments at fair value through other comprehensive income	6,909	15,655	3,073	10,547
Derivative financial instruments	–	–	3,355	3,187
Tax recoverable	–	–	–	1,635
Restricted cash	228,740	303,497	235,134	246,422
Cash and cash equivalents	270,264	479,040	395,234	361,718
Assets of a disposal group classified as held for sale	–	7,634	–	–
Total current assets	**2,989,424**	**2,945,328**	**3,640,419**	**3,618,800**
Current liabilities				
Trade and bills payables	701,876	837,172	973,979	944,781
Other payables and accruals	411,361	413,314	558,678	515,684
Derivative financial instruments	–	–	842	929
Contract liabilities	36,778	63,014	39,640	39,421
Interest-bearing bank and other borrowings	944,845	410,528	673,333	693,841
Lease liabilities	5,128	6,496	8,017	9,375
Tax payable	25,666	29,670	27,908	8,051
Deferred government grants	12,817	17,633	20,878	21,133
Due to related parties	4,834	3,771	5,720	5,085
Provisions	7,300	7,794	7,158	7,191
	2,150,605	**1,789,392**	**2,316,153**	**2,245,491**
Liabilities directly associated with the assets classified as held for sale	–	1,472	–	–
Total current liabilities	**2,150,605**	**1,790,864**	**2,316,153**	**2,245,491**
Net current assets	**838,819**	**1,154,464**	**1,324,266**	**1,373,309**

Net current assets increased from RMB838.8 million as of December 31, 2022 to RMB1,154.5 million as of December 31, 2023, which was primarily due to the increase in restricted cash from RMB228.7 million to RMB303.5 million, the decrease in interest-bearing bank and other borrowings from RMB944.8 million as of December 31, 2022 to RMB410.5 million as of December 31, 2023, partially offset by the decrease in trade and bills receivables from RMB1,862.2 million as of December 31, 2022 to RMB1,609.3 million as of December 31, 2023.

Net current assets increased to RMB1,324.3 million as of December 31, 2024, which was primarily due to increase in trade and bills receivables from RMB1,606.6 million to RMB2,318.3 million, increase in financial assets at fair value through profit or loss from nil to RMB86.0 million and increase in prepayments, other receivables and other assets from RMB63.9 million to RMB85.3 million.

Net current assets increased to RMB1,373.3 million as of January 31, 2025, which was primarily due to increase in inventories from RMB513.5 million to RMB649.2 million, decrease in trade and bill payables from RMB974.0 million to RMB944.8 million, and partially offset by the decrease in trade and bill receivables from RMB2,318.3 million to RMB2,147.6 million.

Working Capital Sufficiency

Taking into account our available financial resources including our cash and cash equivalent on hand, our cash inflows from operating activities and the **[REDACTED]** from the **[REDACTED]**, our Directors are of the view that, we have sufficient financial resources to operate of at least the next 12 months from the date of this document. Our Directors confirmed that there has been no material defaults on trade and non-trade payables and borrowings, and/or breaches of covenants during the Track Record Period and up to the date of the document and there are no material uncertainties related to events or conditions which, individually or collectively, may cast significant doubt on our ability to continue operation.

INDEBTEDNESS

Indebtedness mainly included (i) bank and other borrowings, and (ii) lease liabilities during the Track Record Period. Except as disclosed in the table below, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities as of January 31, 2025. We did not have any material covenants and undertakings on outstanding debts, guarantees, pledge of key assets or other contingent obligations, and breaches during the Track Record Period and up to the Latest Practicable Date. After due and careful consideration, our Directors confirm that there had been no material change in indebtedness since January 31, 2025 and up to the date of this document. The following table sets forth details of indebtedness as of the dates indicated.

	As of December 31,			As of January 31,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Interest-bearing bank and other borrowings				
Non-current	51,200	297,425	255,404	300,630
Current	944,845	410,528	673,333	693,841
Total interest-bearing bank and other borrowings	**996,045**	**707,953**	**928,737**	**994,471**
Lease liabilities				
Non-current	4,864	3,893	8,597	10,288
Current	5,128	6,496	8,017	9,375
Total lease liabilities	**9,992**	**10,389**	**16,614**	**19,663**

Interest-Bearing Bank and Other Borrowings

Interest-bearing bank and other borrowings amounted to RMB996.0 million, RMB708.0 million, RMB928.7 million and RMB994.5 million as of December 31, 2022, 2023 and 2024 and January 31, 2025, respectively. See also "— Discussion of Certain Selected Items from the Consolidated Statements of Financial Position — Liabilities — Interest-Bearing Bank and Other Borrowings" in this section.

Certain of bank and other borrowings was secured by buildings, leasehold land, and trade and bills receivables. For details, including amounts of total committed and unrestricted available facilities interest rates for each major type of borrowings and maturity analysis of financial liabilities, see Note 29 to the Accountants' Report included in Appendix I to this document.

During the Track Record Period and up to the Latest Practicable Date, we had not been in violation of any of the covenants pursuant to the applicable loan and other borrowings agreements we entered into with the banks. We are not subject to other material financial covenants under any agreements with respect to any bank loans or other borrowings. There was no delay or default in the repayment of borrowings during the Track Record Period. Taking our financial position into consideration, we are able to abide by these covenants amid current market conditions and that our capital raising abilities were not materially affected as of January 31, 2025. Save as disclosed above and the **[REDACTED]**, we do not have any material external financing plan as of the Latest Practicable Date.

During the Track Record Period and up to the Latest Practicable Date, we have not experienced any difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach of covenants.

As of January 31, 2025, we had banking facilities of RMB4,417.6 million, of which RMB994.5 million had been utilized.

Lease Liabilities

Lease liabilities represented obligations under lease agreements for our operational facilities and equipment. Lease liabilities amounted to RMB10.0 million, RMB10.4 million and RMB16.6 million as of December 31, 2022, 2023 and 2024, respectively. The increases in lease liabilities were primarily due to the addition of new leased properties in Shenzhen, Guangdong in connection with our R&D center in Shenzhen, Guangdong.

CONTINGENT LIABILITIES

We did not have any material contingent liabilities as of December 31, 2022, 2023 and 2024 and the Latest Practicable Date.

RELATED PARTY TRANSACTIONS

The following table sets forth breakdown of our related party transactions during the Track Record Period.

	For the year ended December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Sales of goods to a related party [(1)]	16,796	13,917	33,500
Purchases of products/services from related parties [(1)]	15,755	16,916	20,800
Rental expenses to a related party [(2)]	5,132	4,833	5,085
Compensation of key management personnel [(3)]	22,239	25,666	21,407

Notes:

*(1) The transactions involve sales of goods, including, waste lead slag for recycling, to Shuangdeng Tianpeng; and (ii) Purchases of products, including, recycled lead, from Shuangdeng Tianpeng ("**Tianpeng Transactions**"). The pricing for Tianpeng Transactions was primarily based on (i) arm's length negotiation; (ii) comparable market price; (iii) the total sales/purchase volume of the transaction. The pricing and credit terms for Tianpeng Transactions are comparable those similar transactions with the Independent Third Parties and no favorable terms has been granted to/by Shuangdeng Tianpeng. The prices are mutually agreed after taking the prevailing market prices into consideration. The transactions were trade in nature, and our Directors and management will consider a series of factors to determine whether to continue such an arrangement upon **[REDACTED]** and the **[REDACTED]**, in the best interest of our Group.*

*(2) We have entered into lease agreements in respect of buildings from a related party. The transactions were made according to the prices and terms agreed with the related parties. The transactions were trade in nature, and our Directors and management will consider a series of factors to determine whether to continue such an arrangement upon **[REDACTED]** and the **[REDACTED]**, in the best interest of our Group.*

*(3) Compensation of key management personnel includes salaries, allowances and benefits in kind, performance related bonuses and share incentive compensation. The transactions were non-trade in nature, and it is estimated that we will continue to compensate our key management personnel for their performance and contribution to the operation of our Group upon **[REDACTED]**.*

Related party transactions were mainly sales of goods to and purchases of products/services from related parties, compensation of key management personnels. The transactions between our Group and the related parties were made according to the prices and terms agreed with the related parties. The prices are mutually agreed after taking the prevailing market prices into consideration. The amounts due from related parties are unsecured, interest-free and repayable on demand. Our management considers there is no significant credit risk for amounts due from related parties. The amounts due to related parties is unsecured, interest-free and has no fixed terms of repayment. For details, including the terms of the arrangements, see Note 39 to the Accountants' Report included in Appendix I to this document. Our Directors are of the view that the material related party transactions during the Track Record Period were conducted on an arm's length basis.

For details of of certain transactions with parties who will, upon the **[REDACTED]**, become connected persons (as defined in the Listing Rules) of our Company, see "Connected Transactions" in this document.

CAPITAL EXPENDITURE

Capital expenditure amounted to RMB158.4 million, RMB420.6 million, and RMB290.0 million in 2022, 2023, and 2024, respectively. We funded these expenditures with cash generated from operations during the Track Record Period. Upon completion of the **[REDACTED]**, we plan to fund our future capital expenditures with cash generated from operating activities and **[REDACTED]** from the **[REDACTED]**.

CAPITAL COMMITMENTS

As of December 31, 2024, we did not have any significant capital commitments.

KEY FINANCIAL RATIO

The table below sets forth key financial ratio as of the dates indicated.

	For the year ended/ As of December 31,		
	2022	2023	2024
Gross Profit Margin(1)	16.9%	20.3%	16.7%
Net Profit Margin(2)	6.9%	9.0%	7.9%
Debt to Asset Ratio(3)	57.2%	51.8%	53.7%
Current Ratio(4)	1.4	1.6	1.6
Return on Equity(5)	20.2%	20.2%	15.8%
Gearing Ratio(6)	58.2%	34.5%	39.6%
Quick Ratio(7)	1.1	1.4	1.4

Notes:

(1) *Gross profit margin is calculated using gross profit divided by revenues for the year and multiplied by 100%.*

(2) *Net profit margin is calculated using profit and total comprehensive income for the year divided by revenues for the year and multiplied by 100%.*

(3) *Debt to asset ratio is calculated using total liabilities divided by total assets as of the end of the year and multiplied by 100%.*

(4) *Current ratio is calculated using current assets divided by current liabilities as of the end of the year.*

(5) *Return on equity is calculated using net profit for the year divided by the average of total equity as of the beginning and ending of the year and multiplied by 100%.*

(6) *Gearing ratio is calculated using total debt (including bank and other borrowings, and lease liabilities) divided by shareholders' equity as of the end of the year and multiplied by 100%.*

(7) *Quick ratio is calculated using total current assets less inventories divided by total current liabilities as of the end of the year.*

MARKET RISK DISCLOSURE

Our management has assessed that the fair values of cash and cash equivalents, time deposits, financial assets included in prepayments and other receivables, trade and bills receivables, due from related parties, trade and bills payables, financial liabilities included in other payables and accruals, due to related parties and current portion of interest-bearing bank borrowings approximate to their carrying amounts largely due to the short-term maturities of these instruments.

Our finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of each year comprising the Track Record Period, the finance department analyzes the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of our own non-performance risk for interest-bearing bank borrowings as at the end of each year comprising the Track Record Period were assessed to be insignificant.

We **[REDACTED]** in unlisted investments, which represent wealth management products issued by banks in mainland China. We have estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks. The fair values have been assessed to be approximate to their carrying amounts. The discount for lack of marketability represents the amounts of premiums and discounts determined by our Group that market participants would take into account when **[REDACTED]** the investments.

We follow a prudent investment approach for wealth management products, focusing on capital preservation and stable returns. Our investments are primarily in unlisted wealth management products issued by reputable banks in mainland China. These products are selected for their low-risk profiles, predictable cash flows, and alignment with our overall financial strategy of optimizing liquidity management while balancing risk and return.

To ensure proper oversight and mitigate risks, we have established a robust internal control mechanism for managing these investments. All potential investments are subject to a rigorous evaluation process, which involves assessing the risk-return profile, the creditworthiness of the issuing bank, and compliance with our investment policies. Once investments are made, we conduct continuous monitoring of their performance and credit risk, with regular updates provided to senior management and the Board. Additionally, our internal audit team periodically reviews the investment process to ensure adherence to regulatory requirements and internal policies.

Our management team has significant expertise in evaluating and managing financial investments, particularly wealth management products. With strong backgrounds in finance, accounting, and risk management, our team is well-equipped to analyze market trends, assess risks, and make informed decisions. We also remain vigilant about changes in financial markets and regulatory developments, which allows us to manage our investments proactively and effectively.

The Board is actively involved in overseeing and governing our investment activities. It approves our overall investment policy to ensure alignment with our strategic objectives and provides oversight for key decisions regarding wealth management investments. Any proposed investment that exceeds a predetermined threshold or carries a higher level of risk requires prior approval from the Board. Furthermore, the Board receives regular reports on the performance and risk assessment of our investments, enabling it to provide ongoing guidance and oversight. Investments in wealth management products are subject to a multi-level approval process. Both the management team and the Board are involved, depending on the size and risk profile of the investment. This rigorous approval framework ensures that all investment decisions are thoroughly scrutinized and align with our financial and risk management objectives. The investment in these assets will be subject to the compliance with Chapter 14 of the Listing Rules upon the **[REDACTED]** and the **[REDACTED]**.

Our principal financial instruments, other than derivatives, comprise cash and cash equivalents and bank borrowings. The main purpose of these financial instruments is to support our operations. We have various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from our financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The management of our Company and the financial instruments division of our Company is responsible for the daily risk management by the operating management through functional departments (e.g., our credit management department reviews the credit sales incurred by our Company on a case-by-case basis) Our internal audit department conducts daily supervision of the implementation for our risk management policies and procedures, and reports the relevant findings in a timely manner to our audit committee. The overall objective of our risk management is to establish risk management policies that minimize the risks associated with various types of financial instruments without unduly affecting our competitiveness and resilience.

Interest Rate Risk

Our exposure to the risk of changes in fair value relates primarily to our bank borrowings with a floating interest rate.

Foreign Currency Risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between RMB and other currencies in which we conduct business may affect our financial condition and results of operations. We seek to limit its exposure to foreign currency risk by minimizing its net foreign currency position. The following table sets forth a sensitivity test on fluctuation of exchange rates for the years indicated to a reasonably possible change in US$ and RMB exchange rates, with all other variables held constant, of our profit or loss before tax (due to changes in the fair value of monetary assets and liabilities).

	As of December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Change in foreign exchange rates			
+/-5%	+/-15,502	+/-13,192	+/-21,367
+/-10%	+/-31,004	+/-26,384	+/-42,734
+/-15%	+/-46,506	+/-39,576	+/-64,101
+/-20%	+/-62,008	+/-52,768	+/-85,468

Credit Risk

We trade only with recognized and creditworthy third parties and there is no requirement for collateral. It is our policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and our exposure to bad debts is not significant. Concentrations of credit risk are managed by customer/counterparty and by industry sector.

Liquidity Risk

We monitor our exposure to liquidity risk by regularly monitoring short-term and long-term liquidity requirements, as well as compliance with borrowing agreements to ensure that adequate cash reserves and readily realizable liquidity are maintained.

The liquidity of our Group is primarily dependent on its ability to maintain adequate cash inflows from operations to meet its debt obligations as they fall due, and its ability to obtain external financing to meet its committed future capital expenditure. For details of the maturity profile of our financial liabilities as of the end of each year comprising the Track Record Period, based on the contractual undiscounted payments, see Note 43 to the Accountants' Report included in Appendix I to this document.

Capital Management

The primary objectives of our capital management are to safeguard our ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits to other stakeholders, by pricing services commensurately with the level of risk.

We manage our capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, we may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Track Record Period.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

During the Track Record Period and as of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

DIVIDENDS

As of the Latest Practicable Date, we do not have a dividend policy. Our Board may declare dividends in the future after taking into account factors, including results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. PRC laws require that dividends be paid only out of our distributable profits. Distributable profits are our after-tax profits, less appropriations to statutory and other reserves that we are required to make. No dividend may be declared or paid other than out of our profits and reserves lawfully available for distribution, including share premium. We declared dividend of nil, RMB0.135 and RMB0.206 per ordinary share for the years ended December 31, 2022, 2023 and 2024, respectively, all of which had been paid in full. For details, see Note 11 to the Accountants' Report included in Appendix I to this document.

Our ability to declare and pay dividends will depend on the availability of dividends received from group companies in the PRC and other jurisdictions. Pursuant to PRC laws, dividends shall be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including IFRSs. PRC laws also require foreign-invested enterprises to set aside at least 10% of its after-tax profits as the statutory common reserve fund until the cumulative amount of the statutory common reserve fund reaches 50% or more of such enterprises' registered capital, if any, to fund its statutory common reserves, which are not available for distribution as cash dividends. Distributions from our subsidiaries may also be restricted if they incur debt or losses or in accordance with any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future.

[REDACTED]

[REDACTED] represent professional fees, **[REDACTED]**, and other fees incurred in connection with the **[REDACTED]**.

As of December 31, 2024, **[REDACTED]** in an aggregate of RMB**[REDACTED]** were incurred and charged to our consolidated statement of profit or loss, and RMB**[REDACTED]** will be deducted from equity upon the **[REDACTED]**. We expect an additional **[REDACTED]** of approximately RMB**[REDACTED]** (HK$**[REDACTED]**), of which approximately RMB**[REDACTED]** (HK$**[REDACTED]**) will be charged to our consolidated statements of profit or loss after December 31, 2024, and the remaining balance of approximately RMB**[REDACTED]** (HK$**[REDACTED]**) is expected to be deducted from equity. The **[REDACTED]** above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

We expect to incur a total of RMB**[REDACTED]** (HK$**[REDACTED]**) of **[REDACTED]**, including (1) **[REDACTED]**-related expenses, which include **[REDACTED]** and **[REDACTED]**, of approximately RMB**[REDACTED]** (HK$**[REDACTED]**), and (2) non-**[REDACTED]** related expenses of approximately RMB**[REDACTED]** (HK$**[REDACTED]**), which include (i) fees and expenses of legal advisors and the Reporting Accountant of approximately RMB**[REDACTED]** (HK$**[REDACTED]**) and (ii) other fees and expenses of approximately RMB**[REDACTED]** (HK$**[REDACTED]**), assuming the **[REDACTED]** is not exercised and based on the **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]**) (being the mid-point of the **[REDACTED]** range stated in the document). Our **[REDACTED]** as a percentage of gross **[REDACTED]** is **[REDACTED]**%, at an **[REDACTED]** of HK$**[REDACTED]** per Share, and assuming the **[REDACTED]** is not exercised.

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

[REDACTED]

[REDACTED]

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that as of the date of the document, there has been no material adverse change in our financial, operational or prospects since December 31, 2024, being the latest balance sheet date of our consolidated financial statements as set out in the Accountant's Report in Appendix I to this document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

We confirm that, as of the Latest Practicable Date, there were no circumstances that would give rise to disclosure required under Rules 13.13 to 13.19 of the Listing Rules.