

CALB

中創新航科技股份有限公司
CALB Co., Ltd.

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

Stock Code: 3931

CALB

GLOBAL OFFERING

Sole Sponsor



华泰国际
HUATAI INTERNATIONAL

Overall Coordinators



华泰国际
HUATAI INTERNATIONAL

J.P.Morgan

Joint Global Coordinators



华泰国际
HUATAI INTERNATIONAL

J.P.Morgan



Joint Bookrunners and Joint Lead Managers



华泰国际
HUATAI INTERNATIONAL

J.P.Morgan



CREDIT SUISSE

IMPORTANT

IMPORTANT: If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

CALB

CALB Co., Ltd.

中創新航科技股份有限公司

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

Global Offering

Number of Offer Shares in the Global Offering	: 265,845,300 H Shares (subject to the Over-allotment Option)
Number of International Offer Shares	: 252,553,000 H Shares (subject to adjustment and the Over-allotment Option)
Number of Hong Kong Offer Shares	: 13,292,300 H Shares (subject to adjustment)
Maximum Offer Price	: HK\$51.00 per H Share, plus brokerage of 1%, SFC transaction levy of 0.0027%, Hong Kong Stock Exchange trading fee of 0.005% and FRC transaction levy of 0.00015% (payable in full on application in Hong Kong dollars and subject to refund on final pricing)
Nominal value	: RMB1.00 per H Share
Stock code	: 3931

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CREDIT SUISSE

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified under the paragraph headed "Documents delivered to the Registrar of Companies in Hong Kong" in "Appendix VII – Documents Delivered to the Registrar of Companies in Hong Kong and Documents on Display" to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be fixed by a Price Determination Agreement between the Overall Coordinators (on behalf of the Underwriters, as applicable) and us on the Price Determination Date. The Price Determination Date is expected to be on or around Wednesday, September 28, 2022 (Hong Kong time) and, in any event, not later than Thursday, September 29, 2022 (Hong Kong time). The Offer Price will be not more than HK\$51.00 and is currently expected to be not less than HK\$38.00 per Offer Share. If, for any reason, the Offer Price is not agreed by Thursday, September 29, 2022 (Hong Kong time) between the Overall Coordinators (on behalf of the Underwriters, as applicable) and us, the Global Offering will not proceed and will lapse.

The Overall Coordinators, on behalf of the Underwriters, as applicable, may, where considered appropriate and with our consent, reduce the number of Hong Kong Offer Shares and/or the indicative Offer Price range below that stated in this prospectus (which is HK\$38.00 to HK\$51.00 per H share) at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Hong Kong Offer Shares and/or the indicative Offer Price range will be published on the website of our Company at www.calb-tech.com and on the website of the Stock Exchange at www.hkexnews.hk as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Further details are set forth in the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

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

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Overall Coordinators (on behalf of the Hong Kong Underwriters, as applicable) if certain grounds arise prior to 8:00 a.m. on the Listing Date. See the section headed "Underwriting" in this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may be offered and sold only outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

ATTENTION

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus or printed copies of any application form to the public in relation to the Hong Kong Public Offering. This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk and our website at www.calb-tech.com. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

September 23, 2022

IMPORTANT

IMPORTANT NOTICE TO INVESTORS: FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the website of the Hong Kong Stock Exchange at www.hkexnews.hk under the “*HKEXnews > New Listings > New Listing Information*” section, and our website at www.calb-tech.com. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

To apply for the Hong Kong Offer Shares, you may:

- (1) apply online through the **HK eIPO White Form** service in the **IPO App** (which can be downloaded by searching “**IPO App**” in App Store or Google Play or downloaded at www.hkeipo.hk/IPOApp or www.tricorglobal.com/IPOApp) or at www.hkeipo.hk; or
- (2) apply through the **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:
 - i. instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or
 - ii. (if you are an existing **CCASS Investor Participant**) giving **electronic application instructions** through the CCASS Internet System (<https://ip.ccass.com>) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC’s Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public. The contents of the electronic version of this prospectus are identical to the printed document as registered with the Registrar of Companies in Hong Kong pursuant to section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

If you are an **intermediary, broker** or **agent**, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

Please see “How to apply for Hong Kong Offer Shares” in this prospectus for further details of the procedures through which you can apply for the Hong Kong Offer Shares electronically.

IMPORTANT

Your application through the **HK eIPO White Form** service or the **CCASS EIPO** service must be for a minimum of 100 Hong Kong Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

No. of Hong Kong Offer Shares Amount payable on application applied for <i>HK\$</i>		No. of Hong Kong Offer Shares Amount payable on application applied for <i>HK\$</i>		No. of Hong Kong Offer Shares Amount payable on application applied for <i>HK\$</i>		No. of Hong Kong Offer Shares Amount payable on application applied for <i>HK\$</i>	
100	5,151.41	3,500	180,299.02	70,000	3,605,980.25	3,000,000	154,542,010.50
200	10,302.81	4,000	206,056.02	80,000	4,121,120.28	4,000,000	206,056,014.00
300	15,454.20	4,500	231,813.02	90,000	4,636,260.32	5,000,000	257,570,017.50
400	20,605.60	5,000	257,570.02	100,000	5,151,400.35	6,646,100 ⁽¹⁾	342,367,218.67
500	25,757.01	6,000	309,084.02	200,000	10,302,800.70		
600	30,908.41	7,000	360,598.03	300,000	15,454,201.05		
700	36,059.80	8,000	412,112.03	400,000	20,605,601.40		
800	41,211.20	9,000	463,626.03	500,000	25,757,001.75		
900	46,362.61	10,000	515,140.04	600,000	30,908,402.10		
1,000	51,514.01	20,000	1,030,280.07	700,000	36,059,802.45		
1,500	77,271.01	30,000	1,545,420.11	800,000	41,211,202.80		
2,000	103,028.00	40,000	2,060,560.14	900,000	46,362,603.15		
2,500	128,785.01	50,000	2,575,700.18	1,000,000	51,514,003.50		
3,000	154,542.01	60,000	3,090,840.21	2,000,000	103,028,007.00		

(1) Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

EXPECTED TIMETABLE⁽¹⁾

Hong Kong Public Offering commences9:00 a.m. on
Friday, September 23, 2022

Latest time for completing electronic applications under
the **HK eIPO White Form** service through
one of the ways below:⁽²⁾11:30 a.m. on
Wednesday, September 28, 2022

- the **IPO App**, which can be downloaded by searching “**IPO App**” in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**
- the designated website **www.hkeipo.hk**

Application lists for the Hong Kong Public Offering open⁽³⁾11:45 a.m.
Wednesday, September 28, 2022

Latest time for (a) completing payment for the **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s) and (b) giving **electronic application instructions** to HKSCC⁽⁴⁾12:00 noon
Wednesday, September 28, 2022

If you are instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

Application lists close⁽³⁾12:00 noon
Wednesday, September 28, 2022

Expected Price Determination Date⁽⁵⁾Wednesday, September 28, 2022

Announcement of:

- the Offer Price;
- indications of the level of interest in the International Offering and the level of applications in the Hong Kong Public Offering; and
- the basis of allocations of the Hong Kong Offer Shares to be published on our website at **www.calb-tech.com**⁽⁶⁾ and the website of the Hong Kong Stock Exchange at **www.hkexnews.hk**⁽⁶⁾ on or before⁽¹⁰⁾Wednesday, October 5, 2022

EXPECTED TIMETABLE⁽¹⁾

the results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels, including

- in the announcement to be posted on the website of our Company at **www.calb-tech.com** and the website of the Hong Kong Stock Exchange at **www.hkexnews.hk**⁽¹⁰⁾ Wednesday, October 5, 2022
- from the "IPO Results" function in the **IPO App** or the designated results of allocations website at **www.hkeipo.hk/IPOResult** (or **www.tricor.com.hk/ipo/result**) with a "search by ID" function from⁽¹⁰⁾ 8:00 a.m. on Wednesday, October 5, 2022 to 12:00 midnight on Tuesday, October 11, 2022
- from the allocation results telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from⁽¹⁰⁾ Wednesday, October 5, 2022 to Monday, October 10, 2022 (exclude Saturday, Sunday and public holiday in Hong Kong)

Dispatch/Collection of H Share certificates or deposit of H Share certificates into CCASS in respect of wholly or partially successful applications under the Hong Kong Public Offering on or before⁽⁷⁾⁽⁹⁾⁽¹⁰⁾ Wednesday, October 5, 2022

Dispatch/Collection of **HK eIPO White Form** e-Auto Refund payment instructions/refund cheques on or before⁽⁸⁾⁽⁹⁾⁽¹⁰⁾ Wednesday, October 5, 2022

Dealings in the H Shares on the Hong Kong Stock Exchange expected to commence at⁽¹⁰⁾ 9:00 a.m. on Thursday, October 6, 2022

- (1) All dates and times refer to Hong Kong local times and dates, except as otherwise stated.
- (2) You will not be permitted to submit your application through the **IPO App** or the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the **IPO App** or the designated website at or before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a "black" rainstorm warning signal or a tropical cyclone warning signal number 8 or above and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, September 28, 2022, the application lists will not open and close on that day. See section headed "How to apply for Hong Kong Offer Shares – C. Effect of bad weather and/or Extreme Conditions on the opening and closing of the application lists".
- (4) Applicants who apply for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should see "How to apply for Hong Kong Offer Shares – A. Applications for Hong Kong Offer Shares – 6. Applying Through The **CCASS eIPO** Service".

EXPECTED TIMETABLE⁽¹⁾

- (5) The Price Determination Date is expected to be on or about Wednesday, September 28, 2022 and, in any event, not later than Thursday, September 29, 2022, or such other date as agreed among the parties. If, for any reason, the Offer Price is not agreed by Thursday, September 29, 2022, or such other date as agreed, between the Overall Coordinators (for themselves and on behalf of the Underwriters, as applicable) and our Company, the Global Offering will not proceed and will lapse.
- (6) None of the websites or any of the information contained on the website(s) forms part of this prospectus.
- (7) The H Share certificates will only become valid evidence of title at 8:00 a.m. on the Listing Date, which is expected to be Thursday, October 6, 2022, **provided that** the Global Offering has become unconditional in all respects and none of the Underwriting Agreements have been terminated in accordance with its terms at or before that time. Investors who trade H Shares on the basis of publicly available allocation details prior to the receipt of the H Share certificates and prior to the H Share certificates becoming valid do so entirely at their own risk.
- (8) e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant's identification document number, or, if the application is made by joint applicants, part of the identification document number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's identification document number before encashment of the refund cheque. Inaccurate completion of an applicant's identification document number may invalidate or delay encashment of the refund cheque.
- (9) Applicants who have applied through the **HK eIPO White Form** service for 1,000,000 or more Hong Kong Offer Shares may collect any refund cheques (where applicable) and/or H Share certificates in person from our H Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, October 5, 2022 or such other date as notified by us as the date of dispatch/collection of H Share certificates/e-Auto Refund payment instructions/refund cheques. Applicants being individuals who are eligible for personal collection may not authorize any other person to collect on their behalf. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce evidence of identity acceptable to our H Share Registrar at the time of collection.

Applicants who have applied for the Hong Kong Offer Shares through the **CCASS EIPO** service should see "How to Apply for the Hong Kong Offer Shares – G. Despatch/Collection of H Share certificates and refund monies – Personal Collection – If you apply through the **CCASS EIPO** service" for details.

Applicants who have applied through the **HK eIPO White Form** service and paid their applications monies through single bank account may have refund monies (if any) dispatched to our Company account in the form of e-Auto Refund payment instructions. Applicants who have applied through the **HK eIPO White Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions in the form of refund cheques in favour of the applicant (or, in the case of joint applications, the first-named applicant) by ordinary post at their own risk.

H Share certificates and/or refund cheques for applicants who have applied for less than 1,000,000 Hong Kong Offer Shares and any uncollected H Share certificates and/or refund cheques will be dispatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications.

Further information is set out in "How to Apply for the Hong Kong Offer Shares – F. Refund of application monies" and "How to Apply for the Hong Kong Offer Shares – G. Despatch/Collection of H Share certificates and refund monies."

- (10) In case a typhoon warning signal no. 8 or above, a black rainstorm warning signal and/or Extreme Conditions is/are in force in any days between Friday, September 23, 2022 to Thursday, October 6, 2022, then the day of (i) announcement of results of allocations in the Hong Kong Public Offering; (ii) dispatch of H Share certificates and refund cheques/**HK eIPO White Form** e-Auto Refund payment instructions; and (iii) dealings in the H Shares on the Hong Kong Stock Exchange may be postponed and an announcement may be made in such event.

The above expected timetable is a summary only. You should read carefully the sections headed "Underwriting", "Structure of the Global Offering" and "How to apply for Hong Kong Offer Shares" for details relating to the structure and conditions of the Global Offering, procedures on the applications for Hong Kong Offer Shares, and expected timetable, including conditions, effect of bad weather and/or Extreme Conditions and the dispatch of refund cheques and H Share certificates.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company, solely in connection with the Hong Kong Public Offering and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or a solicitation of an offer to subscribe for or buy, any security in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the GREEN Application Form to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Sole Sponsor, the Joint Global Coordinators, the Overall Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers, employees, agents, representatives or professional advisors, or any other person or party involved in the Global Offering.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a leading new energy technology company mainly engaged in the design, R&D, production and sales of EV batteries^{Note 1} and ESS products^{Note 2}.

Market Ranking

In terms of installed capacity:

- we, with a 5.7% market share in 2020, 5.9% market share in 2021 and 8.2% market share for the three months ended March 31, 2022, ranked fourth and third in 2020; and third and second in both 2021 and the three months ended March 31, 2022, among EV battery companies in China and among third-party EV battery companies in China^{Note 3 & Note 4}, respectively;
- we, with a 2.7% market share in 2020, 3.2% market share in 2021 and 4.5% market share for the three months ended March 31, 2022, ranked seventh, seventh and sixth globally among EV battery companies, respectively; and
- we were the only company with over 100% year-on-year growth rate from 2019 to 2021 among the top ten EV battery companies in China^{Note 5} in 2021.

Note 1: Batteries that provide power to new energy vehicles (NEV).

Note 2: Batteries applied to energy storage scenarios.

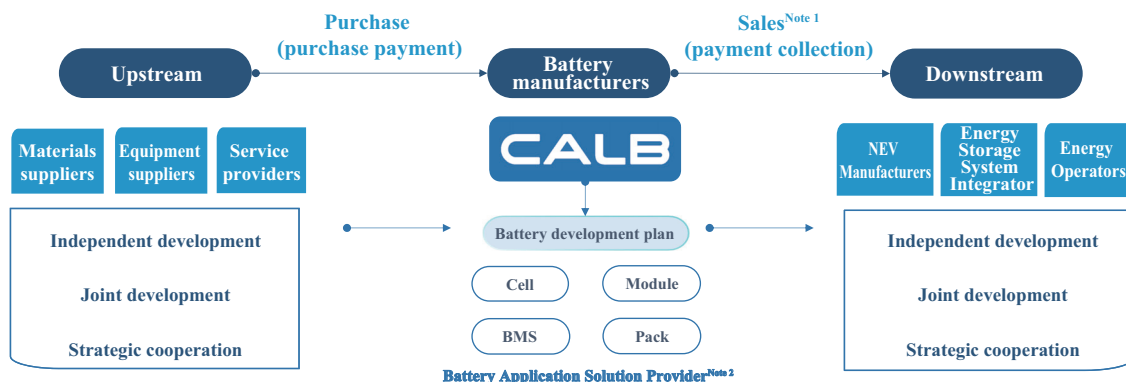
Note 3: Third-party EV battery companies indicate those companies who do not engage in vehicle manufacturing and the EV battery products are mainly sold to external customers instead of their own brand of vehicles.

Note 4: In terms of installed capacity in 2021: (i) the top-three EV battery companies are Contemporary Amperex Technology Co., Limited (“CATL”) (market share of 52.1%), BYD (market share of 16.2%) and us (market share of 5.9%), and (ii) CATL is the largest third-party EV battery company, and we are the second largest. In terms of installed capacity for the three months ended March 31, 2022: (i) the top-three EV battery companies are CATL (market share of 49.8%), BYD (market share of 20.3%) and us (market share of 8.2%), and (ii) CATL is the largest third-party EV battery company, and we are the second largest.

Note 5: Entities with installed capacities of less than 0.1 GWh for two years in a row are not applied for calculating year-on-year growth rate.

SUMMARY

Please see below for our business model flowchart, and refer to the paragraph headed “Business – Our Business Model” for further details.



Note 1: Revenue streams of our business are mainly composed of (i) sales of our EV batteries, and (ii) sales of our ESS products.

Note 2: Our products mainly include:

- (i) EV batteries: We design, carry out R&D, manufacture and sell battery cells, battery modules, and battery packs of EV batteries that are mainly applied to NEVs.
- (ii) ESS products: we also design, carry out R&D, manufacture and sell ESS products, which can be applied to power generation stations, power grid enterprises, data centers and base stations.

For more details on our products, please refer to the section headed “Business” in this prospectus.

Competitive Edge and Achievements

Leading EV battery companies must possess comprehensive strengths in advanced R&D capability, product capability and operation and production scale to meet the stringent requirements of and ongoing demand for EV battery from NEV manufacturers.

Our comprehensive strengths allow us to become one of the leading EV battery companies, in terms of installed capacity, which is one of the most typical indicators to demonstrate the comprehensive abilities of an EV battery manufacturer. Our competitive edges can be illustrated through the following aspects:

R&D capability

We are one of the few EV battery companies with comprehensive independent R&D capabilities and the ability to solely complete the production of EV batteries. Our innovative capability allowed us to develop a series of advanced technologies to apply in our first-to-the-market products, including:

- the high-voltage ternary battery, which features high energy density, long battery life and excellent safety, making it one of the best battery system solutions for passenger vehicles with mass capacity installation;

SUMMARY

- the “magazine battery” launched by us, which is the first of its kind in the industry to prevent fire in the nail penetration test of the ternary battery system. Our “magazine battery” significantly improves the thermal safety level of the ternary battery system; and
- “One-stop Bettery^{Note 1}” battery with the newly developed minimalist structure, which has advantages in energy density, safety and economy and was also the first of its kind in the industry.

Our R&D team is composed of over 2,900 R&D personnel who have multi-disciplinary and extensive industry experience, approximately 27% of whom have doctoral degrees or Master’s degrees, and approximately 50% of whom have Bachelor’s degrees, as highest level of education. In addition, we have an all-round patent portfolio of over 1,200 patents that cover the entire battery industry chain. Leveraging on the aforementioned, we are able to be the first-mover in technology innovation in this industry.

Product Capability

Energy density and safety performance are two key features of EV batteries and our products possess both high energy density and consistent safety performance. It is important for EV battery product to balance high energy density and consistent safe performance within EV batteries for NEV:

- Through high-voltage technology, we have achieved the ternary battery cell energy density of 260Wh/kg and 280Wh/kg for medium-nickel high-voltage 5-series and 6-series battery products, respectively, allowing NEV installed with our products to achieve longer driving range up to 800km, which could parallel that of the 8-series EV batteries available on the market, and provide a better safety performance over such 8-series EV batteries. In addition, in the 55th batch of Catalogue of New Energy Vehicle Models Exempted from Vehicle Purchase Tax released by the MIIT in June 2022, less than 5% of the models were equipped with battery system energy density of more than 180Wh/Kg. Our battery system provided an energy density of up to 225Wh/kg, which is well above the industry average level. Such EV battery products have been widely recognized by leading NEV manufacturers and successfully installed in many best-selling models of leading NEV manufacturers.
- Battery safety performance is the priority when evaluating the performance of EV batteries. Pursuit of a higher level of safety has always been the goal of the EV battery industry. Nail penetration test is one of the most rigorous EV battery safety performance tests in the industry. Such test requires that the EV battery pack to not explode or catch fire due to thermal runaway^{Note 2} when it is entirely penetrated by a steel nail under required conditions.

Note 1: Bettery is a term for better battery.

Note 2: Thermal runaway refers to the phenomenon that the battery temperature rises uncontrollably due to the exothermic chain reaction of the battery cells.

SUMMARY

Up to the end of 2021, only two NEV brands in China published the “pass” result for ternary battery nail penetration test, which is the world-leading safety level of ternary battery. The batteries for one of the brands was provided by our Company.

Production Capability

During the Track Record Period, we experienced rapid growth and attained an accumulated 19.43GWh sales volume of EV batteries. According to Frost & Sullivan, accumulated sales volume of over 10GWh of EV batteries is a key industry production benchmark for leading EV battery manufacturers.

Our production bases are equipped with fully-automated assembly lines, featuring industry-leading automation, digitalization and intelligent mechanisms. Our ability to continuously and stably deliver products that meet customer needs, in turn, contributed to our high utilization rate, which attained 90.6%, 92.0%, 95.1%, for the years ended December 31, 2019, 2020 and 2021, respectively, and 95.9% for the three months ended March 31, 2022.

Our well-known customer portfolio

Our advanced R&D capabilities, competitive product capabilities and scaled production capabilities allowed us to accumulate our well-known customer portfolio and attract more new customers domestically and internationally during the Track Record Period and thereafter. Our products have been delivered to industry-leading NEV manufacturers, and not only do we supply to such customers, but we also formed close collaboration with our major customers to develop new products that meet their needs.

Due to our comprehensive edges aforementioned, we can compete with other industry players. For details, please refer to “Business – Overview – Competitive Edge and Achievements”, “Business – Our strengths”, “Business – R&D” and “Business – Sales and Marketing” in this prospectus.

OUR PRODUCTION BASE

During the Track Record Period, we have production bases located in Changzhou, Luoyang and Xiamen.

Name of Production Base	Location	Year Ended December 31,				2021				Three Months Ended March 31, 2022			
		2019		2020		2021		2021		2021		2022	
		Production volume	Production capacity	Utilization rate	Production volume	Production capacity	Utilization rate	Production volume	Production capacity	Utilization rate	Production volume	Production capacity	Utilization rate
		GWh	GWh		GWh	GWh		GWh	GWh		GWh	GWh	
Changzhou Production Base – Phase I	Changzhou	1.81	1.99	90.6%	0.56	0.61	91.5%	1.94	2.06	94.1%	0.25	0.26	94.3%
Changzhou Production Base – Phase II	Changzhou	–	–	–	2.29	2.47	92.6%	5.90	6.12	96.4%	1.24	1.31	94.5%
Luoyang Production Base	Luoyang	0.88 ⁽⁵⁾	0.97 ⁽⁵⁾	90.7%	0.93	1.02	90.9%	2.21 ⁽⁶⁾	2.36 ⁽⁶⁾	93.8%	0.38	0.41	93.8%
Xiamen Production Base	Xiamen	–	–	–	–	–	–	1.28	1.36	94.0%	–	–	–
Total		2.69	2.97	90.6% ⁽⁷⁾	3.78	4.11	92.0% ⁽⁷⁾	11.33	11.9	95.1% ⁽⁷⁾	1.88	1.99	94.4%
											0.90	0.94	96.3%
											1.64	1.70	96.4%
											–	–	–
											1.42	1.49	95.2%
											3.97	4.14	95.9%

Notes:

1. Production capacity is based on the optimal hourly production rate of various machines operating 24 hours a day for 330 working days a year (not including time spent on production line upgrade or adjustment).
2. Production volume refers to actual output for the relevant year/period.
3. The utilization rate is calculated by dividing production volume by the production capacity for the same period.
4. The units of production volume and production capacity in the table are GWh.
5. The production volume and production capacity disclosed for Luoyang Company for 2019 represent the relevant results since our acquisition of Luoyang Company in June 2019.
6. Any discrepancies in the above table among the amounts identified as utilization rate, the production volume and production capacity are due to rounding.
7. The utilization rate disclosed represents the average of utilization rates in Changzhou (Phase I and Phase II), Luoyang and Xiamen production bases.
8. Represents Luoyang Company's production volume and production capacity from January 1, 2021 to November 7, 2021.
9. In addition to our production sites mentioned above, we also have pilot bases Phase I and Phase II for trial production of new products in Changzhou City, Jiangsu Province, and the functions of pilot bases Phase I and II are as follows:
Pilot Phase I: It has pilot test lines for trial production of prismatic battery and the ability to conduct trial production of multiple types of batteries simultaneously. This Pilot Phase also has the capability for pilot testing of both ternary battery and LFP battery.
Pilot Phase II: It has pilot test line for trial production of prismatic battery, and prototype lines for next generation new product designs. In addition, the Phase II test lines installed with equipment for production technology development and validation.

SUMMARY

For further details in our production sites, please see “Business – Manufacturing and Production – Production Sites”.

OUR CUSTOMERS

EV battery is a core NEV component and accounts for a material portion of the NEV manufacturing cost. NEV manufacturers are actively seeking high-quality EV battery suppliers with mass production experience, so as to ensure the competitiveness and supply safety of their electric vehicle. During the Track Record Period, we recorded explosive growth and became an EV battery supplier to well-established NEV brands, such as GAC Aion^{Note 1}, Changan NEV and Leapmotor.

For each year/period during Track Record Period, we generated revenue of RMB1,398.5 million, RMB2,352.8 million, RMB5,647.0 million and RMB3,341.4 million, from our five largest customers, accounting for 80.7%, 83.2%, 82.9% and 85.8% of our total revenue for the corresponding period, respectively. For each year/period during Track Record Period, our revenue from the largest customer amounted to RMB686.4 million, RMB1,557.5 million, RMB3,537.1 million and RMB1,207.6 million, accounting for 39.6%, 55.1%, 51.9% and 31.0% of our total revenue for the corresponding period, respectively.

For further details of our customers, please see “Business – Our Sales and Marketing”.

Customer Concentration

Our relationship with Customer G is based on mutual achievement and win-win. According to Frost & Sullivan, close cooperation between NEV manufacturers and EV battery suppliers whereby both parties are committed to establishing a stable supply relationship is an industry norm. The sales to Customer G accounted for approximately 26.6%, 55.1%, 51.9% and 31.0% of our total revenue for the years ended December 31, 2019, 2020, 2021 and the three months ended March 31, 2022, respectively. This generally resulted from that (i) our production capacity (as compared to now) was relatively limited when we commenced our cooperation with Customer G, so that we adopted a key customer strategy with a business focus, which we believe, could better match our resource invested with the customers’ needs; (ii) Customer G is a leading NEV manufacturer with stringent requirements on product performance, safety performance, production capabilities, and our advanced technology and product competitiveness can meet its high standards. This is a core factor behind our close collaboration with Customer G; and (iii) we chose to centralize production capacity and closely cooperate with several leading customers to provide high-quality products and efficient services, maximizing our production and operating efficiency.

Note 1: Customer G holds 78.86% equity interest in GAC Aion and is the controlling shareholder of GAC Aion.

SUMMARY

Our Directors believe that the Group's business model remains sustainable despite the concentration of revenue from Customer G during the Track Record Period, because (i) our relationship with Customer G is unlikely to deteriorate or terminate; and (ii) with the rapid expansion of our production capacity, we are continuing to diversify our customer base by supplying to new quality NEV manufacturers.

For more information about our customer concentration, please refer to "Business – Sales and Marketing – Customer Concentration".

OUR SUPPLIERS

We have established a trusting and stable cooperative relationship with suppliers which gives us stable access to raw materials and supports our production as per schedule. Also, quality raw materials are crucial to our products. We embrace the philosophy of co-creation and win-win cooperation and strive to build a positive EV battery ecosystem with our suppliers. We collaborate with our suppliers in the R&D of battery raw materials to produce safer and more reliable batteries with better energy density. Such cooperation not only helps us build strong relationship with our suppliers but also allows us to extend our technical expertise upstream. We believe such effort has been instrumental in building a stable raw material supply and enhancing our technical capability. Considering the quality of our raw materials are crucial to the performance of our products, we seek to continue to closely collaborate with our upstream industry partners.

For the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2022, purchase from our top five suppliers was RMB2,311.4 million, RMB1,576.8 million, RMB5,366.5 million and RMB3,154.7 million, respectively, accounted for approximately 66.3%, 45.3%, 46.7% and 56.8% of our total purchase amount for the corresponding period. During the same period, our purchase from our largest supplier amounted to RMB913.6 million, RMB634.0 million, RMB2,976.1 million and RMB1,725.8 million, representing approximately 26.2%, 18.2%, 25.9% and 31.1% of our total purchase amount for the corresponding period.

For further details in our suppliers, please see "Business – Our Supply Chain Management".

OUR COMPETITIVE ADVANTAGES

Our competitive advantages include:

- We are a leading EV battery company
- We continue to build an influential innovation center and lead industry development
- We have in-depth manufacture engineering foundations and industry leading scaled operational capabilities

SUMMARY

- We have industry partners with strategic synergy and high mutual trust while driving industry development together
- We have a visionary management team with shared mission

OUR DEVELOPMENT STRATEGIES

Our development strategies include:

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

SUMMARY

SUMMARY OF HISTORICAL FINANCIAL INFORMATION AND SUMMARY OF MAJOR FINANCIAL RATIOS

The following table sets forth a summary of our consolidated results of operations for the years indicated.

	Year Ended December 31,			Three Months Ended March 31,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	1,733,832	2,825,419	6,817,115	1,063,192	3,897,090
Cost of sales	(1,650,574)	(2,440,745)	(6,438,837)	(922,607)	(3,576,161)
Gross profit	83,258	384,674	378,278	140,585	320,929
Investment and other income ⁽¹⁾	18,662	31,644	176,247	29,102	62,804
Government grants and subsidies	308,595	134,861	364,509	46,615	151,071
Other gains and (losses), net ⁽²⁾	(142,008)	61,906	(89,541)	7,209	(40,995)
Selling expenses	(52,523)	(82,332)	(160,311)	(25,843)	(84,549)
Administrative expenses	(177,638)	(243,107)	(412,062)	(77,916)	(135,026)
R&D expenses	(135,892)	(201,989)	(285,256)	(45,586)	(159,199)
Gain on disposal of subsidiaries	–	–	347,240	–	–
Impairment loss on investment in associate	–	–	(178,700)	–	–
(Impairment losses)/reversal of impairment losses on trade and bill receivables	(35,418)	(23,351)	(26,600)	3,964	(365)
(Impairment losses)/reversal of impairment losses on prepayments, deposits and other receivables	(1,659)	(1,281)	(682)	1,650	(154)
(Loss)/profit from operations	(134,623)	61,025	113,122	79,780	114,516
Finance costs	(41,175)	(57,365)	(24,975)	(9,857)	(2,303)
Share of (losses)/profits of associates	(8,715)	637	(24,714)	3,553	14,573
Share of loss of a joint venture	–	–	–	–	–
(Loss)/profit before tax	(184,513)	4,297	63,433	73,476	126,786
Income tax credit/(expense)	28,112	(22,625)	48,107	(13,322)	(68,769)
(Loss)/profit for the year	(156,401)	(18,328)	111,540	60,154	58,017
Attributable to:					
Owners of the Company	(118,690)	5,157	140,029	64,937	63,553
Non-controlling interests	(37,711)	(23,485)	(28,489)	(4,783)	(5,356)
	(156,401)	(18,328)	111,540	60,154	58,017

Note 1: Investment and other income mainly includes interest income from bank deposits and financial assets at fair value through other comprehensive income, etc.

Note 2: Other gains and (losses) mainly includes allowance or reversal of allowance of inventories, impairment loss on property, plant and equipment, net gain or loss on disposals of property, plant and equipment, fair value change in financial instruments, etc.

SUMMARY

NON-IFRS MEASURE

To supplement our consolidated statements of profit or loss which are presented in accordance with IFRS, we also use EBITDA as a non-IFRS measure, which is not required by, or presented in accordance with, IFRS. We believe that this non-IFRS measure facilitates comparison of operating performance from period to period by eliminating potential impacts of certain items.

We believe that this measure provides useful information to investors and others in understanding and evaluating our consolidated statements of profit or loss in the same manner as they help our management. However, our presentation of EBITDA (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of this non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, our combined statements of profit or loss or financial condition as reported under IFRS.

We define EBITDA (non-IFRS measure) as (loss)/profit for the year/period plus finance costs, depreciation and amortisation, and income tax expense, and less interest income and income tax credit.

	Year ended December 31,			Three months ended	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
(Loss)/profit for the year/period	(156,401)	(18,328)	111,540	60,154	58,017
Income tax (credit)/expense	(28,112)	22,625	(48,107)	13,322	68,769
Finance costs	41,175	57,365	24,975	9,857	2,303
Interest income	(17,917)	(27,709)	(172,266)	(28,309)	(62,274)
Depreciation and amortization	277,014	316,467	557,625	113,033	187,711
EBITDA (non-IFRS measure)	115,759	350,420	473,767	168,057	254,526
EBITDA margin (non-IFRS measure)	6.7%	12.4%	6.9%	15.8%	6.5%

Note: EBITDA margin (non-IFRS measure) is calculated based on EBITDA (non-IFRS measure) divided by revenue for the relevant year/period.

SUMMARY

Our total revenue increased by 63.0% from RMB1,733.8 million for the year ended December 31, 2019 to RMB2,825.4 million for the year ended December 31, 2020. Our total revenue increased materially from RMB2,825.4 million for the year ended December 31, 2020 to RMB6,817.1 million for the year ended December 31, 2021. Our total revenue increased significantly from RMB1,063.2 million for the three months ended March 31, 2021 to RMB3,897.1 million for the three months ended March 31, 2022. This strong increase was mainly due to the increase in sales volume, which was mainly driven by the rapid growth in demand of our EV batteries as supported by the increase in our production capacities. At the same time, the sales of our ESS products also experienced growth, which in turn, was mainly driven by the increase in sales to certain major customers.

For the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, our gross profit was RMB83.3 million, RMB384.7 million, RMB378.3 million, RMB140.6 million and RMB320.9 million, respectively. Our overall gross profit margin was 4.8%, 13.6%, 5.5%, 13.2% and 8.2%, respectively, in the corresponding period. The change in gross profit margin was mainly attributable to price fluctuation of battery raw materials including cathode materials and electrolytes and the positive impact of the economies of scale relating to production capacity expansion. Our gross profit increased by 361.8% from RMB83.3 million for the year ended December 31, 2019 to RMB384.7 million for the year ended December 31, 2020, which was primarily due to the increase in revenue and gross profit margin, and the overall gross profit margin increased from 4.8% for the year ended December 31, 2019 to 13.6% for the same period in 2020. Our gross profit decreased by 1.7% from RMB384.7 million for the year ended December 31, 2020 to RMB378.3 million for the year ended December 31, 2021, which was primarily due to the increase in our raw materials costs, and the overall gross profit margin decreased from 13.6% for the year ended December 31, 2020 to 5.5% for the same period in 2021. Our gross profit increased by 128.3% from RMB140.6 million for the three months ended March 31, 2021 to RMB320.9 million for the three months ended March 31, 2022, which is mainly attributable to the increase in our sale volume, and the overall gross profit margin decreased from 13.2% for the three months ended March 31, 2021 to 8.2% for the same period in 2022. For more details on our gross margin and gross profit margin fluctuations, please see “Financial Information – Comparison of results of operation”.

During the Track Record Period, a portion of the government grants and subsidies the Group received were mainly subsidies regarding industrial development and research, which were non-recurring in nature and had a significant impact on the Group’s financial performance. For the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, we recognized RMB121.7 million, RMB50.7 million, RMB77.4 million, RMB15.9 million and RMB3.1 million government grants and subsidies which were non-recurring in nature.

SUMMARY

For the years ended December 31, 2019 and 2020, we recorded loss for the year of RMB156.4 million and RMB18.3 million, respectively, which was mainly due to the shifting of our strategic focus into the EV passenger vehicle market not long prior to the Track Record Period. We incurred substantial early investment but did not generate much income, thus leading to net losses for the years ended December 31, 2019 and 2020. However, our investment for future development lays a solid foundation for the iteration and upgrading of our technology, the continuous release of production capacity and the rapid growth of our business.

For the year ended December 31, 2021, our profit for the year was RMB111.5 million, including a significant gain on disposal of subsidiaries recorded by the Group. The related gains mainly resulted from combined effects of (i) a gain on disposal of subsidiaries of RMB347.2 million; and (ii) an impairment loss on investment in an associate of RMB178.7 million. Disposal of Luoyang Company will not have a material adverse impact on our operation and financial performance. Moreover, going forward, we expect our financial performance to improve in general alongside our business growth and following the disposal of Luoyang Company as it was loss-making. For details, please see “Relationship with Jintan Group – Business Delineation and Competition – Potential Impact on our Group as a result of the disposal of Luoyang Company” and “Risk Factors – Our Results of Operations for the year ended December 31, 2021 was affected by the gain on disposal of a subsidiary” of this prospectus.

Our net profit decreased from RMB60.2 million for the three months ended March 31, 2021 to RMB58.0 million for the three months ended March 31, 2022. Such decrease was mainly due to (i) the increase in income tax expenses in connection with tax incurred for the recognition of government grants in Xiamen Company; (ii) the other losses incurred primarily for the fair value loss in put option liabilities and allowance for inventories; and (iii) the increase in selling expenses, administrative expenses and R&D expenses as our business scale expanded, which was partially offset by the increase in gross profit and government grants and subsidies.

Our financial performance during the Track Record Period had been largely affected by government grants and subsidies, gain on disposal of a subsidiary and impairment loss on investment in associate.

The following table sets forth a breakdown of our revenue, sales volume, average selling price, as well as gross profit and gross margin of our major products for the years/periods indicated.

Note 1: Others mainly include sales of waste materials, degraded products, raw materials, slow-moving products, etc. We recorded part of our revenue from others from sales of other batteries of 0.06GWh, 0.17GWh, 0.48GWh, 0.06GWh and 0.08GWh for the year ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, respectively. Such sales volume was mainly due to the sales of downgraded products. However, the sales volume of certain other products such as waste materials cannot be measured by GWh, so no meaningful average selling price can be provided.

Note 3: The gross profit of ESS products decreased by 176.9% from RMB10.4 million for the three months ended March 31, 2021 to RMB(8.0) million for the three months ended March 31, 2022 and the gross profit margin decreased from 13.9% for the three months ended March 31, 2021 to (7.9)% for the three months ended March 31, 2022. We recorded gross loss of our ESS products mainly because of (i) raw material prices continued to rise in 2022, resulting in an increase in the unit cost of our ESS products; and (ii) our ESS products have a long lead time and there is a certain time lag in adjusting the price of such products as prices are difficult to adjust after the project/contract started.

Note 4: The gross profit of EV batteries decreased by 1.8% from RMB342.1 million for the year ended December 31, 2020 to RMB336.1 million for the year ended December 31, 2021. The gross profit margin for the year ended December 31, 2020 and 2021 decreased from 13.7% to 5.5% mainly because of the material increase in the prices of cathodes materials and electrolytes. For the year ended December 31, 2021, the average purchase price of our cathode materials and electrolytes increased by approximately 37% and 60%, respectively compared with the year ended December 31, 2020. As a result, the raw material cost per Wh increased from RMB0.42 for the year ended December 31, 2020 to RMB0.52 for the year ended December 31, 2021. Our gross profit of EV batteries increased by 149.3% from RMB127.5 million for the three months ended March 31, 2021 to RMB317.8 million for the three months ended March 31, 2022. Such strong growth is mainly attributable to an increase in outside volume.

SUMMARY

Revenue, sales volume, average selling price, gross profit and gross margin by region

The following table sets forth the breakdown of our revenue, gross profit, gross profit margin, sales volume, and average selling price by the destination of delivery of our products for the years/periods indicated:

	Years Ended December 31,						Three Months Ended March 31,																	
	2019			2020			2021			2022														
	Gross profit margin (%)	Gross profit (RMB'000)	Average selling price (RMB/Wh)	Gross profit margin (%)	Gross profit (RMB'000)	Average selling price (RMB/Wh)	Gross profit margin (%)	Gross profit (RMB'000)	Average selling price (RMB/Wh)	Gross profit margin (%)	Gross profit (RMB'000)	Average selling price (RMB/Wh)												
Mainland																								
China	2.5	40,752	1.78	0.90	2,685,033	353,156	13.2	4.30	0.62	6,643,764	344,826	5.2	10.26	0.65	1,010,832	126,218	12.5	1.55	0.65	3,837,712	318,710	8.3	4.73	0.81
Overseas	33.4	42,506	0.10	1.26	140,386	31,518	22.5	0.12	1.15	173,351	33,452	19.3	0.20	0.88	52,360	14,367	27.4	0.05	0.97	59,378	2,219	3.7	0.07	0.82
Total	4.8	83,258	1.88	0.92	2,825,419	384,674	13.6	4.42	0.64	6,817,115	378,278	5.5	10.46	0.65	1,063,192	140,585	13.2	1.60	0.66	3,897,090	320,929	8.2	4.80	0.81

Note 1: Mainland China: during the Track Record Period, our revenue from Mainland China increased by 67.1% from RMB1,606.6 million for the year ended December 31, 2019 to RMB2,685.0 million for the year ended December 31, 2020. Our revenue from Mainland China increased significantly from RMB2,685.0 million for the year ended December 31, 2020 to RMB6,643.8 million for the year ended December 31, 2021. Our revenue from Mainland China increased significantly from RMB1,010.8 million for the three months ended March 31, 2021 to RMB3,837.7 million for the three months ended March 31, 2022. Such strong growth was mainly due to an increase in sale volume, which was mainly the result of continuous increase and release of our production capacity, and our major customers' rapidly growing demand for our batteries.

Note 2: For the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021, our gross profit margin from overseas was higher than the domestic market, which was mainly due to the difference in product portfolios sold, where we mainly sold ESS products with a higher average selling price in overseas market. For the three months ended March 31, 2022, our gross profit margin from overseas was lower than the domestic market, which was mainly because our adjustment to the average selling price of our products in overseas sales have a certain time lag compared to that of in domestic sales, so that we were unable to cover the increase in the cost of raw materials in a timely manner.

EV Battery by Downstream Application

The following table sets forth a breakdown of revenue, sales volume and average selling price, as well as gross profit and gross margin of our EV batteries by downstream application for the years/periods indicated.

	Years Ended December 31,						Three Months Ended March 31,					
	2019			2020			2021			2022		
	Gross profit margin (%)	Gross profit (RMB'000)	Average selling price (RMB/Wh)	Gross profit margin (%)	Gross profit (RMB'000)	Average selling price (RMB/Wh)	Gross profit margin (%)	Gross profit (RMB'000)	Average selling price (RMB/Wh)	Gross profit margin (%)	Gross profit (RMB'000)	Average selling price (RMB/Wh)
Passenger Vehicles	54.613	1,288,221	0.85	11.7	273,337	0.61	5.1	294,149	0.64	13.4	335,461	0.81
Commercial Vehicles	911	69,857	0.90	12.2	7,910	0.84	6.6	15,672	0.74	14.1	17,283	0.75
Other purposes	17,377	51,810	1.88	57.4	60,833	1.67	33.5	26,265	1.66	8.5	(400)	0.65
Total	72,901	1,409,888	0.87	13.7	342,080	0.64	5.5	336,086	0.65	13.3	317,778	0.81

Note 1: Other applications mainly include batteries for special equipment, mining, equipment power supply, etc.

Note 2: During the Track Record Period, our revenue from sales to the passenger vehicle manufacturers increased by 80.8% from RMB1,288.2 million for the year ended December 31, 2019 to RMB2,328.8 million for the year ended December 31, 2020. Our revenue from sales to the passenger vehicle manufacturers increased by 146.9% from RMB2,328.8 million for the year ended December 31, 2020 to RMB5,750.0 million for the year ended December 31, 2021. Such strong growth was mainly due to an increase in our sale volume and number of customers, such increase was mainly due to our focus on the passenger EV market after our strategic transformation in 2018, and the strong demand in the passenger vehicles market during the Track Record Period. In addition, our revenue from sales to the passenger vehicle manufacturers increased by 269.5% from RMB923.1 million for the three months ended March 31, 2021 to RMB3,411.0 million for the three months ended March 31, 2022. Such growth was mainly due to our commitment to customer development in the passenger vehicle market, resulting in an increase in our sale volume, which in turn led to a significant increase in our revenue for the three months ended March 31, 2022.

Note 3: During the Track Record Period, our revenue from sales to the commercial vehicle manufacturers were RMB69.9 million for the year ended December 31, 2019 and RMB64.6 million for the year ended December 31, 2020, respectively. Our revenue from sales to the commercial vehicle manufacturers increased significantly from RMB64.6 million for the year ended December 31, 2020 to RMB236.8 million for the year ended December 31, 2021 and from RMB11.8 million for the three months ended March 31, 2021 to RMB276.9 million for the three months ended March 31, 2022. We started to increase our efforts in customer development in the commercial vehicle market at the end of 2020, resulting in substantial increase in revenue from new customers in 2021 and the three months ended March 31, 2022.

Note 4: The change in gross margin of each downstream application area was mainly attributable to a combination of (i) with the expansion of production capacity in 2020, the economies of scales, gradually emerged, resulting in a decrease in average manufacturing cost from RMB0.15 per Wh in 2019 to RMB0.1 per Wh in 2020, which in turn led to an increase in gross margin; (ii) with the continuous increase in raw materials prices in 2021, our average purchase price of cathode materials increased by approximately 37% and the average purchase price of electrolyte increased by approximately 60%, resulting in a decrease in gross margin; and (iii) the further increase in raw materials prices for the three months ended March 31, 2022, resulting in the increase in our average purchase price of cathode materials by approximately 104% and the average purchase price of electrolyte by approximately 60% as compared with the same period of the previous year, and our products sold to commercial vehicle market have a long lead time and there is a certain time lag in adjusting the price of such products. We recorded gross loss and gross loss margin from sales to the commercial vehicle manufacturers and other types of customers for the three months ended March 31, 2022. Please see "Risk Factors – Risks Relating to Our Industry and Business – We are exposed to price fluctuations of raw materials, which may result in gross loss."

SUMMARY

Raw material costs by material composition

The following table sets forth a breakdown of our raw material costs by material composition, each expressed in the absolute amount and as a percentage of our total raw material costs, for the years/periods indicated.

	Years Ended December 31,						Three Months Ended March 31,			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Cathode										
materials	445,141	35.0	693,367	37.3	2,213,673	40.9	281,253	37.4	1,576,713	52.6
Casing cover										
board	186,691	14.7	334,994	18.0	811,553	15.0	122,215	16.3	307,853	10.3
Anodes										
materials	140,275	11.0	195,708	10.5	516,610	9.5	84,760	11.3	205,835	6.9
Electrolyte	70,986	5.6	130,747	7.0	511,641	9.4	63,686	8.5	287,445	9.6
Others	427,896	33.7	501,816	27.2	1,365,430	25.2	199,966	26.5	621,351	20.6
	<u>1,270,989</u>	<u>100</u>	<u>1,856,632</u>	<u>100</u>	<u>5,418,907</u>	<u>100</u>	<u>751,880</u>	<u>100</u>	<u>2,999,197</u>	<u>100</u>

Note: Others mainly include copper aluminum foil, diaphragm, etc.

For a detailed analysis of our results of operations during the Track Record Period, see “Financial Information – Comparison of Results of Operation”.

Business Sustainability

Development of EV batteries is a complex and systematic project, involving product design, performance verification, manufacturing process development and quality planning of systems at all levels from battery cells to vehicle testing. The long development cycle causes EV battery suppliers to incur a lot of costs, which is the industry norm. According to Frost & Sullivan, it generally takes 18-24 months to develop an EV battery for an NEV model, thus there's a time difference between initial product R&D and commercial mass production of such products to recognize revenue. And we incurred substantial construction cost continuously and it takes in general 18-24 months to construct production bases before the production bases can start to manufacture and for us to start generating revenue. On the other hand, we shifted our strategic focus into the passenger NEV market not long prior to the Track Record Period. At the initial stage of the implementation of such plan, we incurred substantial early investment but did not generate much income. However, our investment for future development lays a solid foundation for the iteration and upgrading of our technology, the continuous release of production capacity and the rapid growth of our business.

SUMMARY

We still experienced rapid growth in terms of production volume, sales volume and revenue during the Track Record Period. For instance, our total revenue increased from RMB1,733.8 million in 2019 to RMB6,817.1 million in 2021, representing a CAGR of 98.3% from 2019 to 2021. Our sales volume of EV battery products increased from 1.62GWh in 2019 to 9.31GWh in 2021, representing a CAGR of 139.7% from 2019 to 2021. Historical performance and ongoing rapid development of our business provides a foreseeable path toward profitability.

Our technological advancement and product competitiveness give us strong market position, and we expect to benefit from our competitive strengths and rapid market development and remain profitable continuously.

R&D

Our investments in R&D resulted in development of products that have been widely adopted, including our high-voltage NCM product which realized an operating revenue of RMB9.1 billion from 2019 to 2021, accounting for 80% of total revenue of our Company. Moreover, we are the first to introduce the battery of “One-stop Bettery” with the minimalist structure to save cost and increase profitability of our Company. With our commitment to research and development of technically advanced products, we are confident that we shall be able to continue to introduce products that are strongly demanded by the market.

Pricing Policy

The prices we set for our products generally adopt a cost-plus method depending on a variety of factors, including raw material costs, production costs, prevailing market prices, product specifications, contract terms and relationship with the relevant customer. In addition, the prices of our products are also affected by the global and domestic economic environment, raw material market and market competition in the battery industry.

Economy of Scale

Our investments in R&D and expansion of production capacity take time to realise revenue and in turn generate profit. Although our production capacity is currently limited, we focus on future growth and will continue to invest heavily in research and development. In addition, we are investing heavily in future development and will be able to benefit from a higher level of economy of scale as time goes by when our capacity is released, as illustrated by the decrease in manufacturing expense per Wh^{Note 1} sold from RMB0.15/Wh in 2019, RMB0.10/Wh in 2020 and further to RMB0.07/Wh in 2021, and the decrease in our direct labor cost per Wh^{Note 2} from RMB0.05/Wh in 2019 to RMB0.03/Wh in 2020, and further to RMB0.02/Wh in 2021. As we expect our effective production capacity to expand to approximately 35GWh^{Note 3} and approximately 90GWh^{Note 3} in 2022 and 2023, respectively, the effects of economies of scale will further materialize along with our expansion.

Note 1: Manufacturing expense per Wh is calculated based on manufacturing expense that excluded raw material costs divided by the sales volume.

Note 2: Direct labour cost per Wh is calculated based on direct labour cost divided by the sales volume.

Note 3: Including 5GWh effective production capacity of the Luoyang Company under the entrusted processing arrangement if such entrustment arrangement is adopted.

SUMMARY

Cost Control and Price Adjustment Measures

Our effective cost control measures include (i) with the further enhancement of our product research and development capabilities, we continue to optimize product design and improve product performance, and use standardized and platform-based production, so as to realize cost reduction of products. For example, the “One-stop Battery” we pioneered, realizes cost reduction in raw materials and production efficiency improvement; (ii) maintaining leading technological innovation capabilities, we provide competitive product solutions to meet market demand, and achieve in-depth strategic cooperation with customers to improve bargaining power; (iii) through the deployment of upstream core materials, we conduct strategic cooperation and joint development with suppliers to optimize the suppliers’ resource pool and reduce the cost of material, and enter into strategic agreements and long-term orders for materials with substantial market price fluctuations to obtain advantageous prices; and (iv) while further expanding the production capacity and reducing costs through large-scale operation, we strengthen internal cost management and strictly control budget to reduce unnecessary expenditures.

At the same time, in order to actively cope with the rapid rise of upstream raw materials and safeguard our reasonable profit, we have adjusted the selling price of EV battery products in the first quarter of 2022 in response to the rise in upstream raw materials. Our average selling price for ternary battery and LFP battery increased from 0.64 RMB/Wh and 0.60 RMB/Wh for the year ended December 31, 2021 to 0.83 RMB/Wh and 0.69 RMB/Wh for the three months ended March 31, 2022, respectively.

Market demand

During the Track Record Period, while deepening our cooperation with existing customers, we had successfully established and developed business relationships with certain new passenger vehicle customers.

For more detailed analysis of our business sustainability, please refer to “Business – Business Sustainability”.

OUR ESS BUSINESS

In addition to EV batteries for NEVs, we also design, R&D, manufacture and sell ESS products for ESS. During the Track Record Period, our ESS products featuring “high safety, long life, high efficiency and high integration” were integrated to a variety of ESS. Our ESS products are primarily sold to established industry players that include listed and/or state-owned (i) new energy operators, including wind power and photovoltaic providers, (ii) power grid operators and (iii) ESS device manufacturers, who generally purchase and integrate our products into their power stations/ESS devices. In terms of application, our products have been applied/installed to power generation stations, power grid enterprises, data centers and base stations according to the differentiated needs of ESS downstream participants. We provided energy storage batteries for one of then largest lithium-ion battery ESS projects in the world in August 2020. As of the Latest Practicable Date, our backlog for ESS products amounted to approximately RMB422.0 million. Please see “Business – Business Model and Products – ESS” for further details of our ESS business.

Latest Industry Regulation and Trend

The Ministry of Industry and Information Technology of the PRC predicts that with the release of new production capacity, sale volume of China's NEVs will hit new high in the coming years. The State Council also indicates that by 2025, the sales of NEVs in China will be up to nearly 20% of the total sales of passenger vehicles. Meanwhile, the development of infrastructure construction of NEVs such as charging networks has been highly emphasized as well.

The 'Action Plan for Carbon Dioxide Peaking Before 2030' proposed to actively develop "new energy + energy storage", power-grid-load-storage integration and multi-energy complementarity, and support the distributed energy storage systems for rational allocation of new energy. It also proposed to speed up the demonstration and application of new types of energy storage and aimed to achieve the capacity of new types of energy storage of over 30GW by 2025 and the provincial power grid will basically have a peak load response capability of more than 5% by 2030.

The Implementation Plan on Promoting the High-quality Development of New Energy in the New Era (《關於促進新時代新能源高質量發展的實施方案》) jointly promulgated by the NDRC and the National Energy Administration on May 14, 2022 proposes to achieve the goal of achieving the total installed capacity of wind power and solar power generation of more than 1.2 billion kilowatts by 2030, accelerate the construction of a clean, low-carbon, safe and efficient energy system, better play the role of new energy in ensuring and increasing energy supply, and help achieve carbon peak and carbon neutrality targets.

The Notice on the Financial Subsidy Policies for the Promotion and Application of New Energy Vehicles in 2022 (《關於2022年新能源汽車推廣應用財政補貼政策的通知》) jointly promulgated by the Ministry of Finance, the Ministry of Industry and Information Technology, the Ministry of Science and Technology, and the NDRC and issued on December 31, 2021 proposes to further support the high-quality development of the new energy vehicle industry and work on the promotion and application of new energy vehicles. In 2022, the framework and threshold requirements of the current purchase subsidy technical indicator system will remain unchanged, and the new energy vehicle purchase subsidy policy will continue until December 31, 2022. The State Council held a regular meeting on July 29, 2022 to plan measures to further enlarge demand. The meeting clearly proposed that the policy of exempting new energy vehicle purchase tax should be continued.

The 14th Five-Year Plan for the Development of Modern Integrated Transportation System (《“十四五”現代綜合交通運輸體系發展規劃》) promulgated by the State Council on January 18, 2022 proposes to implement the requirements of carbon peak and carbon neutrality targets, promote green and low-carbon transformation of transportation, promote low-carbon facilities and equipment, promote low-carbon and diversified development of transportation energy, and actively promote new energy and clean energy transportation vehicles. By 2035, a modern and high-quality national comprehensive three-dimensional transportation network that is convenient and smooth, cost-effective, safe and reliable, green saving, intelligent and advanced will be basically established.

SUMMARY

According to Frost & Sullivan, the global shortage of nickel supply may lead to an increase in the cost of power batteries. With the continuous decline of LME nickel inventories, the increase in sanctions against Russia has further hindered the trading and transportation of Russian nickel, which has exacerbated the shortage of nickel. Russia produces 17% of the world's top nickel products. Nickel prices were increasing due to tight supplies before Russia's recent special military operation against Ukraine. If nickel prices continue to rise, it could push up the cost of EV batteries. Meanwhile, facing higher costs, consumers may have cost control considerations and may choose not to purchase NEVs, which is not conducive to the overall energy transformation, thus complicating the energy transition. During the Track Record Period and up to the Latest Practicable Date, our Group has not procured any nickel or other raw materials directly or, to the best knowledge of our Directors, indirectly procured nickel or other raw materials from Russia.

Supply-Demand of Raw Materials

There had been short-term imbalances of supply and demand of certain raw materials for battery production in the market during the Track Record Period, which resulted in an increase in the price of raw materials and cost of our EV batteries. Due to the aforementioned, we have taken corresponding measures to mitigate the effect and such shortage did not have a material adverse impact on our production and operations.

For details on the shortage of raw materials, impact on raw material procurement costs and the EV battery industry in China and the world, please refer to “Business – Supply-Demand of Raw Materials”. For the price movements of raw materials during the Track Record Period, please refer to “Financial Information – Raw material costs”.

Key Items of Consolidated Statements of Financial Position

The following table sets forth key items of our consolidated statements of financial position for the years/period indicated.

	As of December 31,			As of
	2019	2020	2021	March 31,
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Non-current assets	6,526,413	10,729,103	20,113,370	23,729,882
Current assets	4,607,428	7,570,795	18,586,078	21,241,423
Total assets	11,133,841	18,299,898	38,699,448	44,971,305
Current liabilities	3,633,200	5,066,820	9,890,350	14,236,766
Net current assets	974,228	2,503,975	8,695,728	7,004,657
Non-current liabilities	1,434,842	624,457	3,822,974	5,855,183
Non-controlling interests	466,232	442,577	824,230	2,194,694
Total equity	6,065,799	12,608,621	24,986,124	24,879,356

SUMMARY

We recorded total assets of RMB11,133.8 million, RMB18,299.9 million, RMB38,699.4 million and RMB44,971.3 million as of December 31, 2019, 2020 and 2021 and March 31, 2022, respectively. In addition, we recorded net assets of RMB6,065.8 million, RMB12,608.6 million, RMB24,986.1 million and RMB24,879.4 million as of December 31, 2019, 2020 and 2021 and March 31, 2022, respectively. The material increase in our net assets during the Track Record Period was primarily attributable to the growth in our share capital and capital reserve as a result of capital contribution from our investors. Particularly, our share capital and capital reserve attributable to owners of the Company increased from RMB6,366.0 million as of December 31, 2019 to RMB12,907.4 million as of December 31, 2020, and further increased to RMB25,280.3 million as of December 31, 2021, and remain stable as of March 31, 2022. Our Company has carried out a series of equity financing since its establishment to introduce new Shareholders and Pre-IPO Investors to our Group. Please see “History, Development and Corporate Structure – Pre-IPO Investments” of this prospectus for details.

We recorded net current assets of RMB974.2 million, RMB2,504.0 million, RMB8,695.7 million and RMB7,004.7 million as of December 31, 2019, 2020 and 2021 and March 31, 2022, respectively. The material increase in our net current assets from 2019 to 2021 was primarily attributable to an increase in our other financial assets and an increase in trade and bills receivables. The decrease in our net current asset from December 31, 2021 to March 31, 2022 was primarily due to (i) an increase in trade and bills payables; (ii) an increase in put option liabilities; and (iii) a decrease in other financial assets.

For further details, please see “Financial Information – Analysis of Selected Consolidated Statements of Financial Position”.

SUMMARY

Key Items of Consolidated Statements of Cash Flow

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

	Year Ended December 31,			Three Months Ended	
	2019	2020	2021	March 31,	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Operating profit before working capital changes	285,786	293,892	442,563	150,684	190,482
Net cash (used in)/generated from operating activities	(513,765)	1,942,229	1,586,003	155,521	(2,326,029)
Net cash used in investing activities	(1,250,963)	(5,263,527)	(15,007,227)	(413,637)	(989,290)
Net cash generated from financing activities	2,044,325	4,569,990	14,837,464	182,587	3,571,334
Cash and cash equivalents at the end of the year	445,229	1,693,284	3,109,518	1,618,207	3,365,496

We recorded negative operating cash outflows for the year ended December 31, 2019 mainly as a result of an increase of RMB666.6 million in inventories due to strategic stocking in preparation of production line upgrade, which was partially offset by depreciation in property, plant and equipment of RMB203.1 million. We also recorded negative operating cash outflows for the three months ended March 31, 2022, mainly due to (i) an increase of RMB1,848.4 million in trade and bills receivables as a result of rapid growth in sales; (ii) an increase in prepayments, deposits and other receivables of RMB1,279.8 million; and (iii) an increase in the inventories of RMB1,012.8 million as a result of the strategic stocking for the expansion of our operations and the increase in inventory value due to rising raw material prices, which was partially offset by an increase in trade and bills payables of RMB1,506.7 million.

For a more detailed cash flow analysis, please see “Financial Information – Liquidity and Capital Resources – Consolidated Statements of Cash Flows”.

SUMMARY

Key Financial Ratios

The following table sets forth a summary of our key financial ratios as of the dates or for the years/period indicated:

	Year Ended December 31,			Three Months Ended
	2019	2020	2021	March 31, 2022
Return on equity (%) ⁽¹⁾	NM ⁽³⁾	NM ⁽³⁾	0.4	N/A ⁽⁷⁾
Return on assets (%) ⁽²⁾	NM ⁽³⁾	NM ⁽³⁾	0.3	N/A ⁽⁷⁾
Gearing ratio (%) ⁽⁴⁾	33.1	9.0	15.6	31.3
Current ratio (time) ⁽⁵⁾	1.3	1.5	1.9	1.5
Quick ratio (time) ⁽⁶⁾	0.9	1.3	1.7	1.3

Notes:

1. Return on equity is calculated based on the profit for the relevant year divided by the ending balance of total equity and multiplied by 100%.
2. Return on assets is calculated based on the profit for the relevant year divided by the ending balance of total assets and multiplied by 100%.
3. NM: The metric is not meaningful due to net loss recorded during the relevant year.
4. Gearing ratio is calculated based on the loans from related parties, lease liabilities, bank borrowings, other loans, financial guarantees, put option liabilities and amounts due to related parties divided by total equity as at the respective year and multiplied by 100%.
5. Current ratio is calculated based on the total current assets divided by the total current liabilities as at the end of the respective year.
6. Quick ratio is calculated as total current assets less inventories divided by the total current liabilities as at the end of the respective year.
7. N/A: The figure for the three months ended March 31, 2022 is not meaningful as it is not comparable to the annual figure.

In addition, to comply with the requirements of Rule 4.05A of the Listing Rules, as well as to facilitate the understanding of the impact of the acquisition of Luoyang Company, this prospectus also includes the financial statements of Luoyang Company for the period from January 1, 2019 to June 30, 2019 (i.e. from the commencement date of the Track Record Period up to the completion of our acquisition of Luoyang Company), which have been audited by RSM and are set forth in Section C of the Accountant's Report in Appendix I to this prospectus.

SUMMARY

RELATIONSHIP WITH JINTAN GROUP

As of the Latest Practicable Date, Jinsha Investment, Huake Engineering, Huake Investment and Jintan International directly held in aggregate approximately 30.04% of our total Shares in issue. Immediately following the completion of the Global Offering and assuming no exercise of the Over-allotment Option, Jinsha Investment, Huake Engineering, Huake Investment and Jintan International will directly hold in aggregate approximately 25.53% of our total Shares in issue. The investment by Jintan International in our Company was made in accordance with the instructions of Jintan Holding and Jintan International exercises its voting rights in our Company in accordance with the instructions of Jintan Holding. Accordingly, Jintan Group will constitute a group of our largest Shareholders immediately upon Listing. As Jintan Group controls less than 30% of our total Shares in issue immediately upon Listing, it will no longer be our controlling shareholders (as defined under the Listing Rules) upon Listing. Please see “Relationship with Jintan Group” of this prospectus for further details.

CONTINUING CONNECTED TRANSACTIONS

Following the Global Offering, the transactions between our Company and our connected persons will constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules. We have applied to the Stock Exchange for, and the Stock Exchange has granted us, waivers exempting us from strict compliance with the rules regarding the relevant requirements under the Chapter 14A of the Listing Rules. Please see “Connected Transactions” and “Waivers from strict compliance with the Listing Rules” of this prospectus for details.

OUR PRE-IPO INVESTORS

In order to obtain the funds required for our Company’s development and continuously optimize the corporate governance structure, our Company has carried out a series of equity financing since its establishment to introduce new Shareholders and Pre-IPO Investors to our Group. Please see “History, Development and Corporate Structure – Pre-IPO Investments” of this prospectus for details. Our Pre-IPO Investors include state-owned enterprises, our upstream and downstream industrial chain participants and professional investment companies or professional funds. For further details of the background of our Pre-IPO Investors, please see “History, Development and Corporate Structure – Pre-IPO Investments – 5. Information on our Pre-IPO Investors”.

USE OF PROCEEDS

We estimate the net proceeds of the Global Offering which we will receive, assuming an Offer Price of HK\$44.50 per Offer Share (being the mid-point of the Offer Price range stated in the Prospectus), will be approximately HK\$11,560.5 million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering and assuming the Over-allotment Option is not exercised.

SUMMARY

In accordance with our strategy, we plan to use the proceeds for the following intended purposes in the amounts set forth below:

- Approximately 80.0% of the proceeds (approximately HK\$9,248.3 million) will be used as partial expenditures for the construction of production lines of EV battery and ESS of totally 95 GWh for our new production facilities at Chengdu Project Phase I, Wuhan Project Phase II, Hefei Project Phase I and Phase II, Guangdong Jiangmen Project Phase I and Sichuan Meishan Project^{Note}. The main expenses include the funds required for the construction of the plant, the purchase of the major production equipment, and other pre-construction and trial production input in relation to the projects, of which:
 - i. approximately 17.5% of the proceeds (approximately HK\$2,023.1 million) will be used to pay partial expenses for the construction of the Chengdu Project Phase I. The main expenses include the funds required for the construction of the plant, the purchase of major production equipment, and other pre-construction preparation and trial production input in relation to the project.
 - ii. approximately 13.0% of the proceeds (approximately HK\$1,502.8 million) will be used to pay partial expenses for the construction of the Wuhan Project Phase II. The main expenses include the funds required for the construction of the plant, the purchase of major production equipment, and other pre-construction preparation and trial production input in relation to the project.
 - iii. approximately 9.5% of the proceeds (approximately HK\$1,098.2 million) will be used to pay partial expenses for the construction of the Hefei Project Phase I and II. The main expenses include the funds required for the construction of the plant, the purchase of major production equipment, and other pre-construction preparation and trial production input in relation to the project.
 - iv. approximately 20.0% of the proceeds (approximately HK\$2,312.1 million) will be used to pay partial expenses for the construction of the Guangdong Jiangmen Project Phase I. The main expenses include the funds required for the construction of the plant, the purchase of major production equipment, and other pre-construction preparation and trial production input in relation to the project.

Note: We have obtained the real estate ownership certificates or entered into the relevant land grant contracts regarding the aforesaid new production bases (as applicable), and all relevant land costs have been settled through our internal financial resources (other than from the proceeds from this Global Offering). Each aforesaid project base has one plant as a whole.

SUMMARY

- v. approximately 20.0% of the proceeds (approximately HK\$2,312.1 million) will be used to pay partial expenses for the construction of the Sichuan Meishan Project. The main expenses include the funds required for the construction of the plant, the purchase of major production equipment, and other pre-construction preparation and trial production input in relation to the project.

We expect our effective production capacity to expand to approximately 35GWh^{Note} and approximately 90GWh^{Note} in 2022 and 2023, respectively.

We believe that expanding the current production capacity of our existing production bases and building new production bases will help improve our economies of scale, support our business expansion and continue to drive the development of EV battery industry. Based on our expectation that the EV battery market and ESS market will continue to grow rapidly, we believe it is crucial to expand our production capacity and establish new production bases.

- Approximately 10% of the proceeds (approximately HK\$1,156.1 million) will be used for R&D of advanced technologies to maintain technological leadership, which include:
 - (i) approximately 5.6% (approximately HK\$647.4 million) will be used for the development of core technologies for advanced materials, advanced batteries and battery lifespan management.
 - (ii) approximately 4.4% (approximately HK\$508.7 million) will be used for experiments, pilot capacity building and advanced manufacturing technology development.
- Approximately 10% of the proceeds (approximately HK\$1,156.1 million) will be used for working capital and general corporate purposes.

If the Offer Price is fixed at HK\$51.0 per Offer Share (being the high end of the Offer Price range stated in this prospectus), we will receive additional net proceeds of approximately HK\$1,696.8 million, assuming the Over-allotment Option is not exercised. If the Offer Price is fixed at HK\$38.0 per Offer Share (being the low end of the Offer Price range stated in this prospectus), the net proceeds we receive will be reduced by approximately HK\$1,696.8 million, assuming the Over-allotment Option is not exercised. The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the midpoint of the estimated Offer Price range.

Note: Including 5GWh effective production capacity of the Luoyang Company under the entrusted processing arrangement if such entrustment arrangement is adopted.

SUMMARY

In the event that the Over-allotment Option is exercised in full, the additional net proceeds that we would receive would be HK\$1,626.3 million (assuming an Offer Price of HK\$44.5 per Share, being the mid-point of the Offer Price range stated in the Prospectus). Additional net proceeds received due to the exercise of any Over-allotment Option will be used for the above purposes accordingly on a pro rata basis if the Over-allotment Option is exercised.

To the extent that the net proceeds are not immediately applied to the above purposes, we will only deposit the net proceeds as short-term interest-bearing deposits with licensed commercial banks and/or authorized financial institutions in Hong Kong and the PRC (as defined under the SFO, the Law of the People's Republic of China on Commercial Banks (中華人民共和國商業銀行法) and other relevant laws in the PRC).

LISTING EXPENSES

Listing expenses represent professional fees, underwriting commissions and other fees incurred in connection with the Global Offering. We incurred listing expenses of HK\$29.7 million for the year ended December 31, 2021 and the three months ended March 31, 2022. We expect to incur additional listing expenses of approximately HK\$239.9 million (assuming the Over-allotment Option is not exercised and based on the Offer Price of HK\$44.50 per Offer Share, being the mid-point of the Offer Price range). The listing expenses we incurred during the Track Record Period and expect to incur would consist of approximately HK\$213.9 million underwriting related expenses and fees (including underwriting commissions, SFC transaction levy, Stock Exchange trading fee and FRC transaction levy), and approximately HK\$55.7 million non-underwriting-related expenses and fees, including fee for the Sole Sponsor, legal advisors and reporting accountant of HK\$42.8 million and other non-underwriting-related fees and expenses of HK\$12.9 million. Among the total listing expenses which we expect to incur, approximately HK\$2.7 million is expected to be charged to profit or loss, and approximately HK\$266.9 million is directly attributable to the issuance of Shares and will be deducted from equity upon the Listing. Our total listing expenses are estimated to account for 2.3% of the gross proceeds of the Global Offering (assuming the Over-allotment Option is not exercised and based on the Offer Price of HK\$44.50 per Offer Share, being the mid-point of the Offer Price range). The listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

SUMMARY

GLOBAL OFFERING STATISTICS⁽¹⁾

	Based on the Offer Price of HK\$38.00 per Offer Share	Based on the Offer Price of HK\$44.50 per Offer Share	Based on the Offer Price of HK\$51.00 per Offer Share
Market capitalization of our H Shares ⁽²⁾	HK\$10,102.1 million	HK\$11,830.1 million	HK\$13,558.1 million
Market capitalization of our Shares ⁽³⁾	HK\$67,347.5 million	HK\$78,867.4 million	HK\$90,387.4 million
Unaudited pro forma adjusted Consolidated net tangible assets per Share ⁽⁴⁾	HK\$21.0	HK\$22.0	HK\$22.9

Notes:

- (1) All statistics in this table are on the assumption that the Over-allotment Option is not exercised.
- (2) The calculation of market capitalization is based on 265,845,300 H Shares expected to be issued immediately after completion of the Global Offering.
- (3) The calculation of market capitalization is based on 1,772,301,858 Shares expected to be in issue immediately after completion of the Global Offering.
- (4) The pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Offer Share is calculated after making the adjustments referred to in “Unaudited Pro Forma Financial Information – A. Unaudited Pro Forma Adjusted Net Tangible Assets” in Appendix II to this prospectus and on the basis that 1,772,301,858 Shares were in issue assuming the Global Offering has been completed on March 31, 2022.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Stock Exchange for the granting of the listing of, and permission to deal in, our H Shares to be issued pursuant to the Global Offering (including any H Shares which may be issued pursuant to the exercise of the Over-allotment Option), on the basis that, among other things, we satisfy the market capitalisation/revenue test under Rule 8.05(3) of the Listing Rules with reference to (i) our revenue for the year ended December 31, 2021, being RMB6,817.1 million (equivalent to approximately HK\$8,390.5 million), which was over HK\$500 million, and (ii) the market capitalisation of our Shares at the time of Listing, which is estimated based on our future installed capacity, revenue and EBITDA as a non-IFRS measure as well as the growth rates of above mentioned indicators.

DIVIDEND POLICY

We did not pay or declare any dividends during the Track Record Period. We currently do not have a pre-determined dividend payout ratio. The Board may declare and our Company may pay dividends after taking into account our results of operations, financial condition, operational and capital expenditure requirements, future business development strategies and other factors that may be deemed as relevant.

SUMMARY

INTELLECTUAL PROPERTY INFRINGEMENT CLAIMS AND PATENT INVALIDATION APPLICATIONS

During the Track Record Period, we were involved in certain intellectual property infringement claims (the “**Claims**”) brought against us by CATL, in which CATL claimed a total of contingent compensation of RMB615 million and the expenses of RMB3.2 million against our Group. As of the Latest Practicable Date, the Claims in relation to Patent I (as defined in the Business section) to Patent V (as defined in the Business section) had moved to the substantive hearing stage and we are in the progress of contesting the Claims. Our Company has received the pleadings from CATL in respect of Patent VI (as defined in the Business section) and is in the process of preparing to contest such Claim. The revenue of the concerned products containing the relevant component represented a major part of our Group’s revenue during the Track Record Period.

Despite the above, V&T Law Firm (“**V&T**”), being the special IP counsel to our Company, and Haiwen & Partners (“**Haiwen**”), being the special IP counsel to the Sole Sponsor, are of the view that CATL is unlikely to prevail in the Claims. Having considered the views of V&T and Haiwen, our Directors are of the view that the Claims will not have a material adverse effect on our Group’s business, financial condition or results of operation as a whole. For details, please see “Business – Regulatory Compliance and Legal Proceedings – Intellectual Property Infringement Claims”.

In addition, we also received certain patent invalidation applications against our patents, which have immaterial impact on our Group’s business, financial condition or results of operation as a whole. For details, please see “Business – Regulatory Compliance and Legal Proceedings – Patent Invalidation Applications”.

For risks relating to the intellectual property infringement claims and the patent invalidation applications, see “Risk Factors – Risks Relating to Our Industry and Business – We may be involved in intellectual property infringement claims and invalidation applications, which may be time-consuming and result in us bearing expenses.”

THE IMPACT OF THE COVID-19 PANDEMIC

Since the first quarter of 2020, the COVID-19 outbreak has imposed a significant adverse impact on the global economy. In order to provide a safe working environment during the COVID-19 pandemic, we have taken relevant emergency measures to ensure the health of our employees and the hygiene of the working environment. During the period immediately following the outbreak of the COVID-19 pandemic, our business was affected to some extent by the nation-wide pandemic prevention and control requirements and market demand, including some of our non-local employees, experienced certain delays in the resumption of work after the Spring Festival holiday in 2020, and some delays in the installation of coating machines (used to complete the coating process for battery cells of passenger NEV batteries) from our suppliers. However, our production had not been affected as we took corrective measures to reduce the adverse effects of such delays. For instance, to mitigate against the

SUMMARY

adverse impacts caused by the pandemic on our equipment supply, we asked relevant suppliers to assign more manpower to be stationed on site for equipment installation/testing and related work. We also implemented plans to ensure no interruption of our production capacity, such as arranging sufficient employee on site. Therefore, our production and operation have not encountered any stoppage due to the outbreak of COVID-19. Moreover, as the COVID-19 outbreak was quickly brought under control in China, our production and operations were not materially affected.

Recently, with the outbreak of Omicron variant, the logistics in some regions have been affected to various degrees due to the pandemic. However, as we made a plan and stocked materials in advance, our production and operation have not encountered any disruption, nor has our product delivery been substantively affected. Accordingly, our Directors believe that the outbreak of the COVID-19 pandemic will not have a material adverse effect on our Group's business, financial condition or results of operations. For details, see "Business – The Impact of the COVID-19 Pandemic".

RECENT DEVELOPMENTS

We carried out mass deliveries of our high-voltage fast-charging batteries for the global models of a world-renowned German automobile manufacturer since June 2022. In addition, we plan to start mass deliveries for the global models of another international auto manufacturer in the fourth quarter of 2022.

Our production volume and production capacity for the six months ended June 30, 2022 were 9.3GWh and 9.7GWh, respectively, and our utilization rate for the same period was 96.2%.

Our revenue increased by 252.0% from RMB2,604.1 million for the six months ended June 30, 2021 to RMB9,167.2 million for the same period in 2022. Our gross profit margin improved from 7.9% for the six months ended June 30, 2021 to 8.9% for the same period in 2022. Furthermore, our gross profit margin in the second quarter of 2022 also improved to 9.5% from 8.2% in the first quarter of 2022, reflecting the positive impact of the economies of scale relating to our production capacity expansion. Such improvement was also attributable to the positive impact of our price adjustment measures with downstream customers. The foregoing selected unaudited financial data in relation to our revenue and gross profit margin in the six months ended June 30, 2022 is derived from our unaudited interim financial statements for the six months ended June 30, 2022. Our unaudited interim financial statements for the six months ended June 30, 2022 have been reviewed by our reporting accountants in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

We obtained notification of designated cooperation from Customer N for joint development of product in May 2022.

SUMMARY

Investment in Meishan City, Sichuan Province, Chengdu City, Sichuan Province, Hefei City, Anhui Province, Jiangmen City, Guangdong Province

In April 2022, we established Sichuan Company in Meishan City, Sichuan Province. The production base of Sichuan Company is expected to have a production capacity of approximately 20GWh and will produce EV battery and ESS products.

In September 2022, to meet the market's increasing demand for our products, our board resolved to (i) construct Phase II of the Chengdu production base. Such phase is expected to have a production capacity of approximately 30GWh; (ii) construct Phase III of the Hefei production base. Such phase is expected to have a production capacity of approximately 10GWh; and (iii) construct Phase I of the Jiangmen production base. Such phase is expected to add an additional 10GWh production capacity to the current designed capacity.

With Luoyang Company

We entered into an equity transfer agreement with Jincheng Technology on October 18, 2021, pursuant to which our Company agreed to sell and Jincheng Technology agreed to purchase the 51% of equity interests in Luoyang Company. On March 3, 2022, we entered into another equity transfer agreement with Jinhang Holding, pursuant to which our Company agreed to sell and Jinhang Holding agreed to purchase the remaining 49% of equity interests in Luoyang Company. Upon completion of aforementioned transfers, Luoyang Company was owned as to 51% by Jincheng Technology and 49% by Jinhang Holding. For details, please see “History, Development and Corporate Structure – Acquisition and Disposal of Luoyang Company” of this prospectus. In relation to the transfer aforementioned, we entered into an entrusted processing framework agreement with Luoyang Company on December 31, 2021 pursuant to which we agree to entrust Luoyang Company and Luoyang Company agrees to provide processing services of EV battery products for civil use and ESS products to our Company for a term of one year commencing from January 1, 2022 and ending on December 31, 2022. In addition, Luoyang Company also agrees to use its best endeavour to procure its clients to enter into business contracts with our Group after its existing business contracts have been duly performed. Please see “Connected Transactions – Non-Exempt Continuing Connected Transaction – 4. Entrusted Processing Framework Agreement” of this prospectus for further details. As our production capacity expands, we expect the processing services provided by Luoyang Company to reduce.

Formation of Partnership Fund

On 28 April, 2022, we as one of the limited partners entered into a partnership agreement in relation to the establishment of a limited partnership, Kaibo (Chengdu) New Energy Industry Investment Fund Partnership (Limited Partnership)* (凱博(成都)新能源產業投資基金合夥企業(有限合夥)) (the “**Partnership Fund**”) for a term of six years. The Partnership Fund will be principally engaged in investment of new energy industry chain.

SUMMARY

Investment in Tianqi Lithium

On June 28, 2022, our Company entered into a cornerstone investment agreement with Tianqi Lithium Corporation (天齊鋰業股份有限公司) (“**Tianqi Lithium**”), a joint stock company established in the PRC and whose shares are listed on the Shenzhen Stock Exchange (stock code: 002466) and the Main Board of the Stock Exchange (stock code: 9696) and among others, pursuant to which our Company agreed to subscribe for 4,739,000 H shares in Tianqi Lithium (representing approximately 0.3% of Tianqi Lithium’s total issued share capital upon the completion of its global offering) at the investment amount of approximately US\$50 million.

Put Option Arrangements with Relevant Counterparties

As part of our expansion plan, we had jointly established entities with counterparties including relevant investment platform of local governments. Such collaboration is not uncommon in the PRC as local government seeks to attract investments (i.e. drive the development of local industries and to bring economic benefit to the local area) and relevant collaboration partners (such as our Company) can more effectively achieve its development goals through such arrangement (i.e. strengthen relationship with the local governments and facilitate the expansion into relevant area under support from the relevant local government). In connection with the aforementioned collaboration, we had entered into collaboration agreements containing put option arrangement with relevant investment platform of local governments. Such put option arrangement, which is not uncommon in the PRC, is an exit mechanism and a risk management control measure for the local governments to safeguard their respective investment. We face certain risks in the aforementioned collaboration, but as such collaboration has mutually benefited us and our counterparties in the past, we may enter into similar collaborations to further expand our business in the future. Please see “Risk Factors – Risks Relating to Our Industry and Business – We face risks of sharing relevant R&D results with our collaboration partners at the level of jointly established entities”, “Risk Factors – Risks Relating to Our Industry and Business – We may be required to perform our obligations under put options to acquire certain interests in the relevant companies and their fair value change for and valuation uncertainty of the put option liabilities may adversely affect our financial condition and results of operations” and “Risk Factors – Risks Relating to Our Industry and Business – We may face influence during the decision-making process at the level of jointly established entities from our collaboration partners, which include investment platform of relevant local governments” for further details of the associated risks.

DIRECTORS’ CONFIRMATION OF NO MATERIAL AND ADVERSE CHANGE

After due and careful consideration, our Directors confirm that, up to the date of this prospectus, there has not been any material adverse change in our financial or trading position or prospects since March 31, 2022, and there is no event since March 31, 2022 which would materially affect the data shown in the Accountants’ Report in Appendix I.

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SUMMARY OF MAJOR RISK FACTORS

Our major risk factors include:

- Our success as a leading EV battery company depends to a great extent on our R&D capabilities and failure of our technology and product R&D efforts to meet our expectations may hurt our competitiveness and profitability.
- We have limited operating history in EV battery industry and our ability to develop, manufacture and deliver EV batteries is still evolving, and we may not be successful in expanding our operations or managing our growth effectively.
- We are exposed to price fluctuations of raw materials, which may result in gross loss.
- We may be subject to the adverse impact of raw material price changes in association with our order locking of raw materials.
- Our business is subject to the market forces in the EV battery industry and our results are dependent in part on the changes in industries of our customers and market demand for their end products.
- We may not be able to prevent the unauthorized use of our intellectual property rights by others, which could damage our business and competitive position.
- We may be involved in intellectual property infringement claims and invalidation applications, which may be time consuming and result in us bearing expenses.
- We face risks of sharing relevant R&D results with our collaboration partners at the level of jointly established entities.
- We may be required to perform our obligations under put options to acquire certain interests in the relevant companies and the fair value change for and valuation uncertainty of the put option liabilities may adversely affect our financial condition and results of operations.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings.

“2019 Share Incentive Scheme”	2019 share incentive scheme approved and adopted by our Company on August 2, 2019, the principal terms of which are summarized in the “Statutory and General Information – 5. Share Incentive Schemes – A. 2019 Share Incentive Scheme” in Appendix VI to this prospectus
“2020 Share Incentive Scheme”	2020 share incentive scheme approved and adopted by our Company on October 30, 2020, the principal terms of which are summarized in the “Statutory and General Information – 5. Share Incentive Schemes – B. 2020 Share Incentive Scheme” in Appendix VI to this prospectus
“2021 Share Incentive Scheme”	2021 share incentive scheme approved and adopted by our Company on November 10, 2021, the principal terms of which are summarized in the “Statutory and General Information – 5. Share Incentive Schemes – C. 2021 Share Incentive Scheme” in Appendix VI to this prospectus
“Articles of Association”	the articles of association of our Company adopted and approved on December 25, 2021, which will become effective upon the Listing Date, as amended from time to time, a summary of which is set out in Appendix V to this prospectus
“associates”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of our Board
“Aviation Industry Integration Fund”	Aviation industry Integration Development (Qingdao) Equity Investment Fund Partnership (Limited Partnership)* (航空產業融合發展(青島)股權投資基金合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on January 27, 2021, whose general partner is Qingdao Honghua Private Equity Management Co., Ltd.* (青島弘華私募基金管理有限公司) (ultimately controlled by AVIC), one of our Pre-IPO Investors and an Independent Third Party

DEFINITIONS

“Aviation Investment”	China Aviation Investment Holding Company* (中航投資控股有限公司), a company established under the laws of the PRC with limited liability on September 4, 2002 and ultimately controlled by AVIC, an Independent Third Party
“AVIC”	Aviation Industry Corporation of China, Ltd.* (中國航空工業集團有限公司), a company established under the laws of the PRC with limited liability on November 6, 2008 and wholly owned by State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會), an Independent Third Party
“Board” or “Board of Directors”	the board of Directors of our Company
“Business Day” or “business day”	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, a Sunday or a public holiday in Hong Kong
“CAGR”	compound annual growth rate
“Capital Market Intermediary(ies)”	the capital market intermediaries as named in “Directors, Supervisors and Parties Involved in the Global Offering” in this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual, joint individuals or a corporation

DEFINITIONS

“CCASS EIPO”	the application for the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant’s stock account through causing HKSCC Nominees to apply on your behalf, including by (i) instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, or (ii) if you are an existing CCASS Investor Participant, giving electronic application instructions through the CCASS Internet System (https://ip.ccass.com) or through the CCASS Phone System (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input electronic application instructions for CCASS Investor Participants through HKSCC’s Customer Service Centre by completing an input request
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Changan NEV”	Chongqing Changan New Energy Vehicles Technology Co., Ltd.* (重慶長安新能源汽車科技有限公司), a company established under the laws of the PRC with limited liability on May 28, 2018
“Changzhou Lihang Industrial”	Changzhou Lihang Industrial Investment Co., Ltd.* (常州鋰航實業投資有限公司), a company established under the laws of the PRC with limited liability on September 27, 2020 and owned as to 95% and 5% by Liu Junling (劉俊靈) and Zhang Qi (張琪), both of whom are employees of our Company, an Independent Third Party

DEFINITIONS

“Changzhou Lihang Kaibo No. 1”	Changzhou Lihang Kaibo No. 1 Equity Investment Partnership (Limited Partnership)* (常州鋰航凱博壹號實業投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on November 5, 2020 with Changzhou Lihang Industrial being its sole general partner and executive partner, one of our Employees Shareholding Platforms
“Changzhou Lihang Kaibo No. 2”	Changzhou Lihang Kaibo No. 2 Equity Investment Partnership (Limited Partnership)* (常州鋰航凱博貳號實業投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on November 5, 2020 with Changzhou Lihang Industrial being its sole general partner and executive partner, one of our Employees Shareholding Platforms
“Changzhou Lihang Kaibo No. 3”	Changzhou Lihang Kaibo No. 3 Equity Investment Partnership (Limited Partnership)* (常州鋰航凱博叁號實業投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on November 5, 2020 with Changzhou Lihang Industrial being its sole general partner and executive partner, one of our Employees Shareholding Platforms
“Changzhou Lihang Kaibo No. 4”	Changzhou Lihang Kaibo No. 4 Equity Investment Partnership (Limited Partnership)* (常州鋰航凱博肆號實業投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on November 5, 2020 with Changzhou Lihang Industrial being its sole general partner and executive partner, one of our Employees Shareholding Platforms
“Changzhou Lihang Kaibo No. 5”	Changzhou Lihang Kaibo No. 5 Equity Investment Partnership (Limited Partnership)* (常州鋰航凱博伍號實業投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on November 5, 2020 with Changzhou Lihang Industrial being its sole general partner and executive partner, one of our Employees Shareholding Platforms

DEFINITIONS

“Changzhou Lihang Kaibo No. 6”	Changzhou Lihang Kaibo No. 6 Equity Investment Partnership (Limited Partnership)* (常州鋰航凱博陸號實業投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on November 6, 2020 with Changzhou Lihang Industrial being its sole general partner and executive partner, one of our Employees Shareholding Platforms
“Changzhou Lihang Kaibo No. 7”	Changzhou Lihang Kaibo No. 7 Equity Investment Partnership (Limited Partnership)* (常州鋰航凱博柒號實業投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on November 5, 2020 with Changzhou Lihang Industrial being its sole general partner and executive partner, one of our Employees Shareholding Platforms
“Changzhou Lihang Kaibo No. 8”	Changzhou Lihang Kaibo No. 8 Equity Investment Partnership (Limited Partnership)* (常州鋰航凱博捌號實業投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on November 6, 2020 with Changzhou Lihang Industrial being its sole general partner and executive partner, one of our Employees Shareholding Platforms
“Changzhou Lihang Kaibo No. 9”	Changzhou Lihang Kaibo No. 9 Equity Investment Partnership (Limited Partnership)* (常州鋰航凱博玖號實業投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on November 6, 2020 with Changzhou Lihang Industrial being its sole general partner and executive partner, one of our Employees Shareholding Platforms
“Changzhou Lihang Kaibo No. 10”	Changzhou Lihang Kaibo No. 10 Equity Investment Partnership (Limited Partnership)* (常州鋰航凱博拾號實業投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on November 6, 2020 with Changzhou Lihang Industrial being its sole general partner and executive partner, one of our Employees Shareholding Platforms

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“Changzhou Lihang Kaibo No. 11”	Changzhou Lihang Kaibo No. 11 Equity Investment Partnership (Limited Partnership)* (常州鋰航凱博拾壹號實業投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on September 1, 2021 with Changzhou Lihang Industrial being its sole general partner and executive partner, one of our Employees Shareholding Platforms
“Chengdu Company”	CALB (Chengdu) Co., Ltd.* (中創新航科技(成都)有限公司, formerly known as 凱博能源科技(成都)有限公司), a company established under the laws of the PRC with limited liability on May 29, 2021 and owned as to 51% by our Company and 49% by Chengdu Heavy Industry Longjin, a direct non-wholly owned subsidiary of our Company
“Chengdu Heavy Industry Longjin”	Chengdu City Heavy Industry Longjin New Energy Technology Development Co., Ltd.* (成都市重產龍錦新能源科技發展有限公司), a company established under the laws of the PRC with limited liability on May 10, 2021, which is owned as to 76% and 24% by Chengdu Major Industrial Project Phase I Equity Investment Fund Co., Ltd.* (成都市重大產業化項目一期股權投資基金有限公司) and Chengdu Economic Development Industrial Equity Investment Fund (Limited Partnership)* (成都經開產業股權投資基金(有限合夥)) respectively, one of our Pre-IPO Investors and a connected person of our Company
“Chengfei Integration”	Sichuan Chengfei Integration Technology Co., Ltd* (四川成飛集成科技股份有限公司), a company established under the laws of the PRC with limited liability on December 6, 2000, whose shares are listed on the Shenzhen Stock Exchange (stock code: 002190)
“Chenyi Pengqi”	Jiaxing Chenyi Pengqi Equity Investment Partnership (Limited Partnership)* (嘉興晨壹鵬騏股權投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on October 21, 2020 whose general partner is Chenyi Hongqi (Beijing) Consulting Co., Ltd.* (晨壹紅啟(北京)諮詢有限公司), one of our Pre-IPO Investors and an Independent Third Party

DEFINITIONS

“China Insurance Investment Advanced Manufacturing”	China Insurance Investment (Shenzhen) Advanced Manufacturing Investment Partnership (Limited Partnership)* (中保投(深圳)先進製造投資合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on October 28, 2020 whose general partner is China Insurance Investment Co., Ltd.* (中保投資有限責任公司), one of our Pre-IPO Investors and an Independent Third Party
“China Insurance Investment No. 1 New Energy”	China Insurance Investment No. 1 (Shenzhen) New Energy Automobile Industry Investment Partnership (Limited Partnership)* (中保投壹號(深圳)新能源汽車產業投資合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on September 7, 2020 whose general partner is China Insurance Investment Co., Ltd.* (中保投資有限責任公司), one of our Pre-IPO Investors, and an Independent Third Party
“China Insurance Investment No. 2 New Energy”	China Insurance Investment No. 2 (Shenzhen) New Energy Automobile Industry Investment Partnership (Limited Partnership)* (中保投貳號(深圳)新能源汽車產業投資合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on September 16, 2020 whose general partner is China Insurance Investment Co., Ltd.* (中保投資有限責任公司), one of our Pre-IPO Investors and an Independent Third Party
“China Insurance Investment Strategic Emerging”	China Insurance Investment (Shenzhen) Strategic Emerging Industry Investment Partnership (Limited Partnership)* (中保投(深圳)戰略新興產業投資合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on November 3, 2020 whose general partner is China Insurance Investment Co., Ltd.* (中保投資有限責任公司), one of our Pre-IPO Investors and an Independent Third Party
“Chinese government” or “PRC government”	the central government of the PRC and all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them

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“Chuanghe Xincai”	Chuanghe Xincai (Xiamen) Manufacturing Transform and Upgrade Fund Partnership* (創合鑫材(廈門)製造業轉型升級基金合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on December 28, 2020 whose general partner is Xiamen Chuanghe Luxiang Investment Management Co., Ltd.* (廈門創合鷺翔投資管理有限公司), one of our Pre-IPO Investors and an Independent Third Party
“Chuangyi Shengtun”	Xiamen Chuangyi Shengtun New Energy Industry Investment Partnership (Limited Partnership)* (廈門創益盛屯新能源產業投資合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on April 30, 2021 whose general partners are SDIC Chuangyi Industry Fund Management Co., Ltd.* (國投創益產業基金管理有限公司) and Beijing Shengtun Tianyu Private Fund Management Co., Ltd.* (北京盛屯天宇私募基金管理有限公司), one of our Pre-IPO Investors and an Independent Third Party
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Co-lead Manager”	the co-lead manager as named in “Directors, Supervisors and Parties Involved in the Global Offering” in this prospectus
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	CALB Co., Ltd. (中創新航科技股份有限公司) (formerly known as CALB (Jiangsu) Co., Ltd.* (中航鋰電(江蘇)有限公司), CALB Technology Co., Ltd.* (中航鋰電科技股份有限公司) and CALB Technology Holding Co., Ltd.* (中航鋰電科技股份有限公司)), a company established under the laws of the PRC with limited liability on December 8, 2015, and subsequently converted into a joint stock company with limited liability on November 10, 2021

DEFINITIONS

“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Corporate Governance Code”	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
“CPM”	chief patent manager
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC national securities markets
“Dahou Cornerstone”	Wuhu Dahou Cornerstone Equity Investment Partnership (Limited Partnership)* (蕪湖達厚基石股權投資合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on May 27, 2021 whose general partner is Tibet Tianji Cornerstone Venture Capital Co., Ltd.* (西藏天璣基石創業投資有限公司), one of our Pre-IPO Investors and an Independent Third Party
“Director(s)”	director(s) of our Company
“Domestic Shares”	domestic shares in the ordinary share capital of our Company, with a par value of RMB1.00 each, which are subscribed for and paid up in Renminbi
“Dongtou Liying”	Changzhou City Dongtou Liying Venture Capital Partnership (Limited Partnership)* (常州市東投鋰盈創業投資合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on August 2, 2021 whose general partner is Donghai Investment Co., Ltd.* (東海投資有限責任公司), one of our Pre-IPO Investors and an Independent Third Party
“EIT Law”	the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法), as amended, supplemented or otherwise modified from time to time
“Employees Shareholding Platforms”	employees shareholding platforms as set out in the section headed “Statutory and General Information – 5. Share Incentive Schemes” in Appendix VI to this prospectus

DEFINITIONS

“Exchange Participant(s)”	a person: (a) who, in accordance with the Listing Rules, may trade on or through the Stock Exchange; and (b) whose name is entered in a list, register or roll kept by the Stock Exchange as a person who may trade on or through the Stock Exchange
“Extreme Conditions”	extreme conditions caused by a super typhoon as announced by the government of Hong Kong
“FRC”	the Financial Reporting Council of Hong Kong
“Fujian Company”	CALB Fujian Co., Ltd.* (中創新航科技(福建)有限公司), a company established under the laws of the PRC with limited liability on February 22, 2022 and owned as to 51% by our Company and 49% by Jinyuan Industry, a direct non-wholly owned subsidiary of our Company
“GAC Aion”	GAC Aion New Energy Vehicle Co., Ltd.* (廣汽埃安新能源汽車有限公司), a company established under the laws of the PRC with limited liability on July 28, 2017
“Germany Company”	CALB GmbH (中航鋰電(德國)有限公司), a company established under the laws of Stuttgart, Germany with limited liability on April 30, 2021 and a direct wholly-owned subsidiary of our Company
“Getian Star”	Shenzhen Getian Star Management Partnership (Limited Partnership)* (深圳市格天思達管理合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on August 20, 2020 whose general partner is Xu Xiuyun (徐秀雲), one of our Pre-IPO Investors and an Independent Third Party
“Global Offering”	the Hong Kong Public Offering and the International Offering
“Government of Jintan District”	People’s Government of Jintan District, Changzhou City
“ GREEN Application Form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider designated by our Company
“Group”, “we”, “our” or “us”	our Company and our subsidiaries, and their respective predecessors

DEFINITIONS

“Guangqi Ruidian”	Guangdong Guangqi Ruidian Equity Investment Partnership (Limited Partnership)* (廣東廣祺瑞電股權投資合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on September 27, 2020 whose general partner is Guangzhou Yingpeng Investment Management Company Limited* (廣州盈蓬投資管理有限公司), one of our Pre-IPO Investors and an Independent Third Party
“Guolian Tongjin”	Wuxi Guolian Tongjin Equity Investment Partnership (Limited Partnership)* (無錫國聯通錦股權投資合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on November 11, 2020 whose general partner is Guolian Tongbao Capital Investment Co., Ltd.* (國聯通寶資本投資有限責任公司), one of our Pre-IPO Investors and an Independent Third Party
“Guolian Tongkun”	Wuxi Guolian Tongkun Equity Investment Partnership (Limited Partnership)* (無錫國聯通錕股權投資合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on November 10, 2020 whose general partner is Guolian Tongbao Capital Investment Co., Ltd.* (國聯通寶資本投資有限責任公司), one of our Pre-IPO Investors and an Independent Third Party
“Guolian Tongwu”	Wuxi Guolian Tongwu Equity Investment Partnership (Limited Partnership)* (無錫國聯通鋁股權投資合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on November 9, 2020 whose general partner is Guolian Tongbao Capital Investment Co., Ltd.* (國聯通寶資本投資有限責任公司), one of our Pre-IPO Investors and an Independent Third Party
“Guoshou Private Equity”	Guoshou (Shenzhen) Technology Innovation Private Equity Investment Fund Partnership (Limited Partnership)* (國壽(深圳)科技創新私募股權投資基金合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on June 9, 2021 whose general partner is Guoshou (Tianjin) Technology Innovation Investment Management Co., Ltd.* (國壽(天津)科技創新投資管理有限公司), one of our Pre-IPO Investors and an Independent Third Party

DEFINITIONS

“H Share(s)”	overseas listed foreign shares in the ordinary share capital of our Company with a nominal value of RMB1.00 each, to be subscribed for and traded in Hong Kong dollars and listed on the Stock Exchange
“H Share Registrar”	Tricor Investor Services Limited
“Hainan Huaping”	Hainan Huaping New Energy Private Equity Fund Partnership (Limited Partnership)* (海南華平新能源私募基金合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on May 25, 2021 whose general partner is Hainan Huaping Enterprise Management Consulting Center (Limited Partnership)* (海南華平企業管理諮詢中心(有限合夥)), one of our Pre-IPO Investors and an Independent Third Party
“Hainan Qingshan”	Hainan Qingshan Investment Partnership (Limited Partnership)* (海南清善投資合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on July 1, 2021 whose general partner is Zhong Baoshen (鍾寶申), one of our Pre-IPO Investors and an Independent Third Party
“Hanshi Precision”	Shenzhen Hanshi Precision Automatic Control Technology Company Limited* (深圳市漢獅精密自控技術有限公司), a company established under the laws of the PRC with limited liability on March 15, 2018 and wholly owned by Shenzhen Dazhu Venture Capital Co., Ltd.* (深圳市大族創業投資有限公司), one of Pre-IPO Investors and an Independent Third Party
“Hefei Beicheng Investment”	Hefei Beicheng Industrial Investment Guidance Fund Company Limited* (合肥北城產業投資引導基金有限公司), a company established under the laws of the PRC with limited liability on August 30, 2021, and is ultimately controlled by Changfeng County Finance Bureau* (長豐縣財政局) in Hefei City, a connected person of our Company

DEFINITIONS

“Hefei Company”	CALB (Hefei) Co., Ltd.* (中創新航科技(合肥)有限公司, formerly known as 凱博能源科技(合肥)有限公司), a company established under the laws of the PRC with limited liability on September 25, 2021 in which our Company is entitled to exercise more than 50% of the voting rights, a direct non wholly-owned subsidiary of our Company
“HK eIPO White Form”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name, submitted online through the IPO App or the designated website at www.hkeipo.hk
“HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designated by our Company as specified in the IPO App or on the designated website at www.hkeipo.hk
“HK\$” or “Hong Kong dollars” “HK dollars” or “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Offer Shares”	the 13,292,300 H Shares initially offered by our Company for subscription pursuant to the Hong Kong Public Offering (subject to reallocation as described in the section headed “Structure of the Global Offering” in this prospectus)

DEFINITIONS

“Hong Kong Public Offering”	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong (subject to reallocation as described in the section headed “Structure of the Global Offering” in this prospectus) at the Offer Price (plus brokerage, SFC transaction levies, Stock Exchange trading fees and FRC transaction levies) on the terms and conditions described in this prospectus and the GREEN Application Form, as further described in the section headed “Structure of the Global Offering – The Hong Kong Public Offering” in this prospectus
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering listed in section headed “Underwriting – Hong Kong Underwriters” in this prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement dated September 22, 2022 relating to the Hong Kong Public Offering entered into by, among others, our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters, as further described in the section headed “Underwriting – Underwriting Arrangements” in this prospectus
“Hongdu Airline”	Jiangxi Hongdu Aviation Industry Joint Stock Co., Ltd.* (江西洪都航空工業股份有限公司), a joint stock company established on December 16, 1999, the shares of which are listed on the Shanghai Stock Exchange (stock code: 600316) which is ultimately controlled by AVIC, an Independent Third Party
“Hongshan Kaichen”	Hongshan Kaichen (Xiamen) Equity Investment Partnership (Limited Partnership)* (紅杉凱辰(廈門)股權投資合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on September 2, 2020 whose general partner is Shenzhen Sequoia An Tai Equity Investment Partnership (Limited Partnership)* (深圳紅杉安泰股權投資合夥企業(有限合夥)), one of our Pre-IPO Investors and an Independent Third Party
“Huake Engineering”	Changzhou Huake Engineering Construction Co., Ltd.* (常州華科工程建設有限公司), a company established under the laws of the PRC with limited liability on April 14, 2015 and is wholly owned by Jintan Hualuogeng

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“Huake Investment”	Changzhou Huake Technology Investment Co., Ltd.* (常州華科科技投資有限公司), a company established under the laws of the PRC with limited liability on August 5, 2015 and wholly owned by Jintan Hualuogeng
“Huaxian Automobile”	Guangzhou Huaxian Automobile Co., Ltd.* (廣州華現汽車有限公司), a company established under the laws of the PRC with limited liability on August 10, 2012 and owned as to 70% by Zeng Yangyi (曾洋溢) and 30% by Lin Qunhua (林群華) respectively, one of our Pre-IPO Investors and an Independent Third Party
“Hunan Dice Honggang Fund”	Hunan Hualing Dice Honggang Investment Partnership (Limited Partnership)* (湖南華菱迪策鴻鋼投資合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on May 27, 2021 whose general partner is Hunan Dice Runtong Private Fund Management Co., Ltd.* (湖南迪策潤通私募基金管理有限公司), one of our Pre IPO Investors and an Independent Third Party
“Huzhou Haifa”	Haifa (Huzhou) Equity Investment Partnership (Limited Partnership)* (海發(湖州)股權投資合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on June 7, 2021 whose general partner is Yuanhai Private Equity Fund Management (Tianjin) Co., Ltd.* (遠海私募基金管理(天津)有限公司) (formerly known as Yuanhai Xinda Investment Management (Tianjin) Co., Ltd.* (遠海信達投資管理(天津)有限公司)), one of our Pre-IPO Investors and an Independent Third Party
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which, as far as our Directors are aware after having made all reasonable enquiries, is/are not (a) connected person(s) of our Company within the meaning of the Listing Rules
“International Offer Shares”	the 252,553,000 H Shares initially offered by our Company for subscription at the Offer Price pursuant to the International Offering together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option (subject to reallocation as described in the “Structure of the Global Offering” in this prospectus)

DEFINITIONS

“International Offering”	the offer of the International Offer Shares by the International Underwriters at the Offer Price outside the United States in offshore transactions in accordance with Regulation S, as further described in the “Structure of the Global Offering” in this prospectus
“International Underwriters”	the group of international underwriters expected to enter into the International Underwriting Agreement to underwrite the International Offering
“International Underwriting Agreement”	the underwriting agreement expected to be entered into by, among others, our Company and the International Underwriters in respect of the International Offering, as further described in the “Underwriting – Underwriting Arrangements – The International Offering” in this prospectus
“IPO App”	the mobile application for the HK eIPO White Form service which can be downloaded by searching “ IPO App ” in App Store or Google Play or downloaded at www.hkeipo.hk/IPOApp or www.tricorglobal.com/IPOApp
“Jiangmen Company”	CALB (Jiangmen) Co., Ltd* (中創新航科技(江門)有限公司), a company established under the laws of the PRC with limited liability on February 23, 2022 and owned as to 51% by our Company and 49% by Jiangmen New Energy, a direct non-wholly owned subsidiary of our Company
“Jiangmen New Energy”	Jiangmen City Haina New Energy Investment Partnership (Limited Partnership)* (江門市海納新能源投資合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on February 7, 2022 whose general partner is Jiangmen City Haina Enterprise Management Co., Ltd* (江門市海納企業管理有限公司), an Independent Third Party
“Jiangsu Company”	CALB (Jiangsu) Co., Ltd.* (中創新航科技(江蘇)有限公司) (formerly known as Kaibo Energy Technology (Jiangsu) Co., Ltd.* (凱博能源科技(江蘇)有限公司)), a company established under the laws of the PRC with limited liability on June 23, 2021, a direct wholly owned subsidiary of our Company

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“Jiangsu Research Institute”	CALB Technology Co., Ltd.* (中創新航技術研究院(江蘇)有限公司) (formerly known as Kaibo Energy Technology Co., Ltd.* (凱博能源科技有限公司) and China Lithium Battery Technology Co., Ltd.* (中航鋰電技術研究院有限公司)), a company established under the laws of the PRC with limited liability on November 8, 2016, a direct wholly-owned subsidiary of our Company
“Jiaxing Xingneng”	Jiaxing Xingneng Venture Capital Partnership (Limited Partnership)* (嘉興興能創業投資合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on July 9, 2021 whose general partner is Xingtou (Beijing) Capital Management Co., Ltd.* (興投(北京)資本管理有限公司), one of our Pre-IPO Investors and an Independent Third Party
“Jincheng Technology”	Jiangsu Jintan Jincheng Technology Industry Development Co., Ltd.* (江蘇金壇金城科技產業發展有限公司), a company established under the laws of the PRC with limited liability on December 7, 2015 and wholly owned by Jintan Holding, a connected person of our Company
“Jinhang Holding”	Jiangsu Jinhang Holding Co., Ltd.* (江蘇金航控股有限公司), a company established under the laws of the PRC with limited liability on March 2, 2022, which is owned as to 40% by Jincheng Technology, 30% by Cai Dongze (蔡東澤), an Independent Third Party, 12.5% by Nanjing Ruiguan Enterprise Management Centre (Limited Partnership)* (南京瑞冠企業管理中心(有限合夥)), 12.5% by Wuxi Fengshenghui Enterprise Management Partnership Business (Limited Partnership)* (無錫豐晟匯企業管理合夥企業(有限合夥)) and 5% by Jiangsu Fengchuang Environmental Energy Co., Ltd.* (江蘇楓創環保能源有限公司), an Independent Third Party. Jinhang Holding is a connected person of our Company

DEFINITIONS

“Jinli Investment”	Xiamen Jinli Equity Investment Partnership (Limited Partnership)* (廈門金鋰股權投資合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on October 29, 2020 with Jinyuan Capital Management (Xiamen) Co., Ltd.* (金圓資本管理(廈門)有限公司) being its general partner and is ultimately controlled by Jinyuan Investment, one of our Pre-IPO Investors and a connected person of our Company
“Jinsha Investment”	Changzhou Jinsha Technology Investment Co., Ltd.* (常州金沙科技投資有限公司), a company established under the laws of the PRC with limited liability on May 4, 2008 and wholly owned by Jintan Holding
“Jintan Group”	namely Jinsha Investment, Huake Engineering, Huake Investment, Jintan International, Jintan Hualuogeng and Jintan Holding
“Jintan Holding”	Jiangsu Jintan Investment Holding Co., Ltd.* (江蘇金壇投資控股有限公司), a company established under the laws of the PRC with limited liability on September 16, 2014 and wholly owned by the Government of Jintan District, a connected person of our Company
“Jintan Hualuogeng”	Jiangsu Jintan Hualuogeng Technology Industry Development Co., Ltd.* (江蘇金壇華羅庚科技產業發展有限公司), a company established under the laws of the PRC with limited liability on December 12, 2014 and owned as to 90% by Jintan Holding and 10% by Changzhou Investment Group Co., Ltd.* (常州投資集團有限公司), respectively, a connected person of our Company
“Jintan International”	Jiangsu Jintan National Development International Investment Development Co., Ltd.* (江蘇金壇國發國際投資發展有限公司), a company established under the laws of the PRC with limited liability on December 16, 2010 and exercising its voting rights in our Shares in accordance with the instructions of Jintan Holding, a connected person of our Company

DEFINITIONS

“Jinyuan Industry”	Xiamen Jinyuan Industry Development Company Limited* (廈門金圓產業發展有限公司), a company established under the laws of the PRC with limited liability on August 13, 2014 and wholly owned by Jinyuan Investment, one of our Pre-IPO Investors and Substantial Shareholders
“Jinyuan Investment”	Xiamen Jinyuan Investment Group Co., Ltd.* (廈門金圓投資集團有限公司), a company established under the laws of the PRC with limited liability on July 13, 2011 and wholly owned by the Finance Bureau of Xiamen City* (廈門市財政局), one of our Pre-IPO Investors and Substantial Shareholders
“Joint Global Coordinators”, “Joint Bookrunners” or “Joint Lead Managers”	the joint bookrunners, the joint global coordinators and the joint lead managers as named in “Directors, Supervisors and Parties Involved in the Global Offering” in this prospectus
“Latest Practicable Date”	September 16, 2022, being the latest practicable date for the purpose of ascertaining certain information in this prospectus prior to its publication
“Lihang Jinzhi”	Xiamen Lihang Jinzhi Equity Investment Partnership (Limited Partnership)* (廈門鯉航金智股權投資合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on July 29, 2019 whose general partner is Xiamen Lihang Equity Investment, one of our Pre-IPO Investors, a connected person of our Company
“Link Cornerstone”	Shenzhen City Linghui Cornerstone Equity Investment Fund Partnership (Limited Partnership)* (深圳市領匯基石股權投資基金合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on June 25, 2018 whose general partner is Shenzhen Lingxin Cornerstone Equity Investment Management Partnership (Limited Partnership)* (深圳市領信基石股權投資基金管理合夥企業(有限合夥)), one of our Pre-IPO Investors and an Independent Third Party
“Listing”	the listing of our H Shares on the Main Board of the Stock Exchange

DEFINITIONS

“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date expected to be on or about October 6, 2022, on which dealings in our H Shares first commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“LME”	London Metal Exchange
“Luoyang Company”	China Lithium Battery Technology (Luoyang) Co., Ltd.* (中航鋰電(洛陽)有限公司), a company established under the laws of the PRC with limited liability on September 14, 2009 and formerly our controlling Shareholder and subsequently became a subsidiary of our Company. As of the Latest Practicable Date, Luoyang Company is owned as to 51% by Jincheng Technology and 49% by Jinhang Holding, and a connected person of our Company
“Luoyang Company Minority Shareholders”	namely, Missile Academy, Shunying Investment, Zhongguancun Guosheng, Aviation Investment, Hongdu Airline
“Luoyang Xinghang”	Luoyang Xinghang New Energy Technology Services Co., Ltd.* (洛陽興航新能源技術服務有限公司), a company established under the laws of the PRC with limited liability on October 22, 2010, an Independent Third Party
“Ma’anshan Cornerstone”	Ma’anshan Cornerstone Intelligent Manufacturing Industry Fund Partnership (Limited Partnership)* (馬鞍山基石智能製造產業基金合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on August 31, 2018 whose general partner is Ma’anshan Happiness Cornerstone Investment Management Co., Ltd.* (馬鞍山幸福基石投資管理有限公司), one of our Pre-IPO Investors and an Independent Third Party

DEFINITIONS

“Ma’anshan Shengtuo”	Ma’anshan Shengtuo Equity Investment Partnership (Limited Partnership)* (馬鞍山盛拓股權投資合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on September 29, 2019 whose general partner is Urumqi Phoenix Cornerstone Equity Investment Management Partnership (Limited Partnership)* (烏魯木齊鳳凰基石股權投資管理有限合夥企業), one of our Pre-IPO Investors and an Independent Third Party
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange, which is independent from and operated in parallel with GEM of the Stock Exchange
“Mandatory Provisions”	the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (到境外上市公司章程必備條款), as promulgated by the State Council Securities Commission and the State Restructuring Commission on August 27, 1994 and became effective on the same date, as the same may be amended and supplemented or otherwise modified from time to time
“Manufacturing Transform and Upgrade Fund”	National Manufacturing Transform and Upgrade Fund Co., Ltd.* (國家製造業轉型升級基金股份有限公司), a company established under the laws of the PRC with limited liability on November 18, 2019 which is owned as to 15.29% and 84.71% by the Ministry of Finance of the PRC and 19 Independent Third Parties, respectively, one of our Pre-IPO Investors and an Independent Third Party
“Materials Company”	CALB Materials (Sichuan) Co., Ltd* (中創新航材料科技(四川)有限公司), a company established under the laws of the PRC with limited liability on January 26, 2022, a direct wholly-owned subsidiary of our Company

DEFINITIONS

“Meishan Guidance Fund”	Meishan City Industrial Development Investment Guidance Fund Center (Limited Partnership)* (眉山市產業發展投資引導基金中心(有限合夥)), a limited partnership established under the laws of the PRC on March 23, 2022 whose general partner is Meishan Industrial Investment Private Equity Fund Management Co., Ltd.* (眉山產投私募基金管理有限公司) (ultimately controlled by the State-owned Assets Supervision and Administration Commission of Meishan City (眉山市國有資產監督管理委員會)), an Independent Third Party
“MES system”	Manufacturing execution system used in manufacturing to track and document the transformation of raw materials to finished products in a production plant
“Missile Academy”	China Airborne Missile Academy* (中國空空導彈研究院), a public institution established under the laws of PRC with AVIC being its organizer, an Independent Third Party
“MOF”	the Ministry of Finance of the PRC (中華人民共和國財政部)
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部) or its predecessor, the Ministry of Foreign Trade and Economic Cooperation of the PRC (中華人民共和國對外貿易經濟合作部)
“Nanjing Xing Na Zhou”	Nanjing Xing Na Zhou Equity Investment Partnership (Limited Partnership)* (南京星納州股權投資合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on August 1, 2020 whose general partner is Hainan Xinglan Company Management Partnership (Limited Partnership)* (海南星蘭企業管理合夥企業(有限合夥)), one of our Pre-IPO Investors and an Independent Third Party
“NDRC”	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)

DEFINITIONS

“Non-Competition Agreement”	the non-competition agreement dated March 2, 2022 and entered into by each member of Jintan Group in favor of our Company (for ourselves and as trustee for each of our subsidiaries), as further described under the section headed “Relationship with Jintan Group – Non-Competition Agreement” in this prospectus
“NPC”	National People’s Congress (全國人民代表大會)
“Offer Price”	the final price per Offer Share in HK dollars (exclusive of brokerage fee of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.005% and FRC transaction levy of 0.00015%) at which Hong Kong Offer Shares are to be subscribed, to be determined in the manner further described in the section headed “Structure of the Global Offering – Price Payable on Application” in this prospectus
“Offer Share(s)”	the Hong Kong Offer Shares and the International Offer Shares, together with, where relevant, any additional H Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option expected to be granted by our Company to the International Underwriters, exercisable by the Overall Coordinators and Joint Global Coordinators (on behalf of the International Underwriters, as applicable) pursuant to the International Underwriting Agreement, pursuant to which our Company may be required to allot and issue up to an aggregate of 37,218,200 additional H Shares at the Offer Price to cover over-allocations in the International Offering, if any, further details of which are described in the section headed “Structure of the Global Offering” in this prospectus
“Overall Coordinators”	Huatai Financial Holdings (Hong Kong) Limited and J.P. Morgan Securities (Asia Pacific) Limited
“PLM system”	Product lifecycle management system, a software solution for new product introduction and product information management which integrates people, data processes, and business systems

DEFINITIONS

“PRC Company Law”	the Company Law of the PRC, as amended, supplemented or otherwise modified from time to time
“PRC Legal Advisor”	Jia Yuan Law Offices
“Pre-IPO Investment”	investment made by Pre-IPO Investors
“Pre-IPO Investors”	the investors as set out in the section headed “History, Development and Corporate Structure – Pre-IPO Investments – 5. Information on our Pre-IPO Investors” in this prospectus
“Price Determination Agreement”	the agreement to be entered into by the Overall Coordinators (on behalf of the Hong Kong Underwriters as applicable), the Joint Global Coordinators and our Company on the Price Determination Date to record the Offer Price
“Price Determination Date”	the date, expected to be on or about September 28, 2022, on which the Offer Price will be determined and, in any event, not later than September 29, 2022
“province”	each being a province or, where the context requires, a provincial level autonomous region or municipality under the direct supervision of the central government of the PRC
“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration Committee”	the remuneration committee of the Board
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAP system”	an acronym for systems, applications, products. It is an enterprise resource planning system and an accounting-oriented information system that provides users with a real-time business application
“SAT”	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)

DEFINITIONS

“Securities Law”	the Securities Law of the PRC (中華人民共和國證券法), as amended, supplemented or otherwise modified from time to time
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) in the share capital of our Company with a nominal value of RMB1.00 each
“Shareholder(s)”	holder(s) of the Share(s)
“Shenzhen Research Institute”	CALB Technology (Shenzhen) Co., Ltd.* (中創新航技術研究中心(深圳)有限公司, formerly known as 凱博能源先進技術研究院(深圳)有限責任公司), a company established under the laws of the PRC with limited liability on May 28, 2021, a direct wholly-owned subsidiary of our Company
“Shunying Investment”	Tianjin Shunying Investment Center (Limited Partnership)*(天津順盈投資中心(有限合夥)), a limited partnership established under the laws of the PRC on June 21, 2019 whose general partner is Hangrong Aviation Industry Equity Investment Management (Tianjin) Co., Ltd.*(航融航空產業股權投資管理(天津)有限公司), an Independent Third Party
“Sichuan Company”	CALB (Sichuan) Co., Ltd.* (中創新航科技(四川)有限公司), a company established under the laws of the PRC on April 2, 2022 and owned as to 51% by our Company and 49% by Meishan Guidance Fund
“Sole Sponsor”	Huatai Financial Holdings (Hong Kong) Limited
“Special Regulations”	the Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (《國務院關於股份有限公司境外募集股份及上市的特別規定》), promulgated by the State Council on August 4, 1994, as amended from time to time
“Sponsor – OC”	Huatai Financial Holdings (Hong Kong) Limited

DEFINITIONS

“SRM system”	Supplier relationship management, a comprehensive approach to manage an enterprise’s interactions with the organizations that supply the goods and services it uses
“Stabilizing Manager”	Huatai Financial Holdings (Hong Kong) Limited
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it in section 15 of the Companies Ordinance
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Supervisor(s)”	supervisors of our Company
“Supervisory Committee”	the supervisory committee of our Company
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers, as amended, supplemented or otherwise modified from time to time
“Three Gorges Capital”	Three Gorges Capital Holdings Company Limited* (三峽資本控股有限責任公司), a limited liability company established under the laws of the PRC on March 20, 2015 and owned by China Changjiang Three Gorges Group Co., Ltd.* (中國長江三峽集團有限公司), Changjiang Three Gorges Investment Management Co., Ltd.* (長江三峽投資管理有限公司), China Changjiang Power Joint Stock Co., Ltd.* (中國長江電力股份有限公司), Yunnan Province Energy Investment Group Co., Ltd.* (雲南省能源投資集團有限公司) and Guoxin Guotong (Zhejiang) Investment Fund Partnership (Limited Partnership)* (國新國同(浙江)投資基金合夥企業(有限合夥)) as to 40%, 30%, 10%, 10% and 10%, respectively, one of our Pre-IPO Investors and an Independent Third Party
“Track Record Period”	the period comprising the three years ended December 31, 2019, 2020 and 2021 and three months ended March 31, 2022
“Underwriters”	the Hong Kong Underwriters and the International Underwriters

DEFINITIONS

“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“US\$” or “U.S. dollar(s)”	United States dollar(s), the lawful currency of the United States
“Wuhan Company”	CALB (Wuhan) Co., Ltd.* (中創新航科技(武漢)有限公司, formerly known as 凱博能源科技(武漢)有限公司), a company established under the laws of the PRC with limited liability on July 15, 2021 and owned as to 51% by our Company and 49% by Wuhan Jingkai Investment, a direct non-wholly owned subsidiary of our Company
“Wuhan Industrial Investment Zhongjing”	Wuhan Industrial Investment Zhongjing Equity Investment Partnership (Limited Partnership)* (武漢產投中經股權投資合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on August 2, 2021 whose general partner is Wuhan Zhongjing Rongxin Equity Investment Fund Management Co., Ltd.* (武漢中經融信股權投資基金管理有限公司), one of our Pre-IPO Investors and an Independent Third Party
“Wuhan Jingkai Investment”	Wuhan Jingkai Investment Co., Ltd.* (武漢經開投資有限公司), a company established under the laws of the PRC with limited liability on December 26, 2000, which is wholly owned by State-owned Assets Supervision and Administration Commission of Wuhan Economic and Technological Development Zone (Hannan District)* (武漢經濟技術開發區(漢南區)國有資產監督管理局), one of our Pre-IPO Investors and a connected person of our Company
“Xiamen Company”	CALB (Xiamen) Co., Ltd.* (中創新航新能源(廈門)有限公司, formerly known as 中航鋰電(廈門)科技有限公司), a company established under the laws of the PRC with limited liability on July 15, 2019 and a direct wholly-owned subsidiary of our Company

DEFINITIONS

“Xiamen Jinli No. 2”	Xiamen Jinli No. 2 Equity Investment Partnership (Limited Partnership)* (廈門金鋰貳號股權投資合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on August 19, 2021 whose general partner is Jinyuan Investment, one of our Pre-IPO Investors and a connected person of our Company
“Xiamen Lihang Equity Investment”	Xiamen Lihang Equity Investment Management Co., Ltd.* (廈門鋰航股權投資管理有限公司), a company established under the laws of the PRC with limited liability on June 26, 2019 and owned by Ms. Liu Jingyu, Dr. Pan Fangfang, Mr. Dai Ying, Mr. Geng Yan'an, Mr. Wang Xiaoqiang and Mr. He Fan as to 40%, 20%, 15%, 15%, 5% and 5%, respectively, one of our Employee Shareholding Platforms
“Xiamen Lihang Kaibo No. 1”	Xiamen Lihang Kaibo No. 1 Equity Investment Partnership (Limited Partnership)* (廈門鋰航凱博壹號股權投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on November 3, 2020 with Changzhou Lihang Industrial being its sole general partner and executive partner, one of our Employees Shareholding Platforms
“Xiaomi Yangtze River Industry”	Hubei Xiaomi Changjiang Industry Fund Partnership (Limited Partnership)* (湖北小米長江產業基金合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on December 7, 2017 whose general partner is Hubei Xiaomi Changjiang Industry Investment Fund Management Co., Ltd.* (湖北小米長江產業投資基金管理有限公司), one of our Pre-IPO Investors and an Independent Third Party
“Yiwu Lexin”	Zhejiang Yiwu Lexin Investment Management Partnership (Limited Partnership)* (浙江義烏市樂信投資管理合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on August 16, 2017 whose general partner is Shanghai Zhengxin Valley Investment Management Co., Ltd.* (上海正心谷投資管理有限公司), one of our Pre-IPO Investors and an Independent Third Party

DEFINITIONS

“Zhongguancun Guosheng”

Beijing Zhongguancun Guosheng Venture Capital Center (Limited Partnership)*(北京中關村國盛創業投資中心(有限合夥)), a limited partnership established under the laws of the PRC on March 21, 2012 whose general partner is Beijing Zhongguancun Guosheng Venture Capital Management Center (Limited Partnership)*(北京中關村國盛創業投資管理中心(有限合夥)), an Independent Third Party

GLOSSARY OF TECHNICAL TERMS

In this prospectus, unless the context otherwise requires, explanations and definitions of certain terms used in this prospectus in connection with our Group and our business shall have the meanings set out below. The terms and their meanings may not correspond to standard industry meanings or usage of these terms.

“Ah”	Amp-hour, battery capacity unit
“ASES”	Alliance Supplier Evaluation Standard used by Renault and Nissan for supplier auditing
“Battery grade lithium carbonate”	Lithium carbonate whose quality reaches the YS/T582-2006 standard, is mainly used in the production of lithium-ion battery materials
“BEV”	Battery Electric Vehicle
“BMS”	Battery Management System
“C”	The nominal capacity of the battery. A charging current of 2C implies that the battery can be fully charged in half an hour
“Carbon silicon anode”	A new type of anode material with carbon as the matrix and silicon as the active material
“Cell”	battery cell
“CNAS”	China National Accreditation Service for Conformity Assessment
“Emerging NEV brands”	Vehicle manufacturers or developers, which only focus on the NEV technology development
“ERP System”	Enterprise Resource Planning System
“ESS”	A device that can store and output power, consists of multiple subsystems such as battery system and energy management system
“EV” or “electric vehicle”	the BEV used for the carriage of passengers
“EV battery system”	Usually known as the EV battery pack, which is used in electric vehicles and consists of cells, modules, battery management systems and others
“GB 38031”	PRC National Standard: <Electric vehicles traction battery safety requirements>

GLOSSARY OF TECHNICAL TERMS

“GB 38032”	PRC National Standard: <Electric buses safety requirements>
“GB/T 27922: 2011”	PRC National Standard: <Evaluation system for after-sales service of commodity>
“GB/T 31467”	PRC National Standard: <Lithium-ion traction battery pack and system for electric vehicles>
“GB/T 31484”	PRC National Standard: <Cycle life requirements and test methods for traction battery of electric vehicle>
“GB/T 31486”	PRC National Standard: <Electrical performance requirements and test methods for traction battery of electric vehicle>
“GW”	The unit of power, 1GW=1,000,000KW
“GWh”	The unit of electricity, KWh is the degree, 1GWh=1,000,000KWh
“HEV”	Hybrid Electric Vehicle
“High nickel cathode material”	A ternary cathode material with a high nickel content
“High voltage ternary”	A ternary battery cathode material with high voltage characteristics
“IATF16949”	International technical specification of automotive industry quality management system, which prepared by International Automotive Task Force (IATF) and ISO (International Organization for Standardization)
“Industrial grade lithium carbonate”	Lithium carbonate whose quality reaches the GB11075-2003 standard, with relatively low quality. It is widely used in fields of electrolytic aluminum, textile, refrigerant and others, and also used in the production of lithium chloride, lithium hydroxide and other lithium products
“Installed capacity”	The volume of battery products installed in NEVs or ESSs, usually expressed in electricity unit of GWh or KWh

GLOSSARY OF TECHNICAL TERMS

“Iron phosphate”	Iron phosphate, also known as high iron phosphate and iron orthophosphate, with molecular formula FePO_4 , is a white, off-white monoclinic crystal powder, and is a compound used to synthesize lithium iron phosphate battery cathode materials
“ISO9001”	International Quality Management System, which released by ISO (International Organization for Standardization)
“ISO/IEC17025”	Laboratory Management System, which released by ISO (International Organization for Standardization)
“LFP battery”	A lithium-ion battery that uses lithium iron phosphate (LiFePO_4) as the cathode material
“Lithium”	A metal chemical element, of which the element symbol is Li, and the atomic number is 3
“Lithium carbonate”	A common lithium compound with the chemical formula Li_2CO_3 . It is the most widely used lithium product with broad application range. It is classified into industrial grade lithium carbonate, battery grade lithium carbonate and high-purity lithium carbonate due to its different purity levels
“Lithium chloride”	A common lithium compound whose chemical formula is LiCl . It is mainly used in the production of metal lithium, polymer materials, molecular sieves, medicine, food and other industries. Anhydrous lithium chloride refers to lithium chloride without crystal water. Most of the lithium chloride currently used in the market is anhydrous lithium chloride
“Lithium cobalt oxide”	A cathode material for lithium cobalt oxide batteries with the chemical formula LiCoO_2

GLOSSARY OF TECHNICAL TERMS

“Lithium hydroxide”	A common lithium compound whose molecular formula is LiOH. When it comes to lithium hydroxide, it generally refers to lithium hydroxide monohydrate in the industry, which is mainly used in lubricants, purifiers, catalysts and other industries. Lithium hydroxide monohydrate is a common lithium compound whose molecular formula is LiOH.H ₂ O. It is the main lithium hydroxide product in the lithium product market, widely known as lithium hydroxide for short in the industry
“Lithium manganese oxide”	A cathode material for lithium manganese oxide batteries with the chemical formula LiMn ₂ O ₄
“Lithium metal”	Elemental lithium metal, mainly used in lithium alloys, nuclear industry, batteries, aerospace industry manufacturing and other industries. Spodumene refers to an ore containing lithium with LiAl[Si ₂ O ₆] as its chemical formula. It is mainly used in the production of lithium carbonate and the production of additives in the glass and ceramic industries
“Lithium nickel oxide”	A cathode material for lithium nickel oxide batteries with the chemical formula LiNiO ₂
“Module”	Battery module
“MWh”	The unit of electricity, KWh is the degree, 1MWh=1,000KWh
“NCM”	Nickel-cobalt-manganese ternary materials, which can be used as cathode materials for ternary batteries. Given different ratios of nickel, cobalt, and manganese, it can be classified into NCM523, NCM622, NCM811, etc.
“NEV”	new energy vehicles, comprising of battery electrics vehicles, plug-in hybrid electric vehicles, fuel cell electric vehicles, commercial vehicles and passenger vehicles
“Pack”	Battery pack
“PHEV”	Plug-in Hybrid Electric Vehicle
“QC/T”	PRC Automotive Industry Standard
“QIP”	Quality Improvement Plan

GLOSSARY OF TECHNICAL TERMS

“Solid electrolyte”	A new type of electrolyte in which the electrolyte changes from liquid to solid. According to the content of the electrolyte, it is divided into semi-solid electrolyte, all-solid electrolyte, etc.
“SS”	Start-stop system for micro-hybrid passenger vehicles
“T/CASE”	China Automotive Engineering Association Standard
“Ternary battery”	Lithium-ion battery whose cathode material composes of three elements in two forms: nickel-cobalt-manganese, or nickel-cobalt-aluminum
“V”	Basic unit of voltage
“VDA”	German Association of the Automotive Industry
“Wh/kg”	Watt hour/kg
“°C”	Degree Celsius, the unit of temperature measurement on the Celsius scale

FORWARD-LOOKING STATEMENTS

We have included in this prospectus forward-looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements.

We have included in this prospectus forward-looking statements that are not historical facts but relate to our intentions, beliefs, expectations or predictions for future events and conditions which may not occur. Even though these statements have been made by our Directors after due and careful consideration and on bases and assumptions that we believe are fair and reasonable at the time, they nevertheless involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Some of the risks are listed in “Risk Factors” and elsewhere in this prospectus. In some cases, you can identify these forward-looking statements by words such as “aim,” “anticipate,” “believe,” “continue,” “could,” “expect,” “intend,” “may,” “might,” “plan,” “potential,” “predict,” “project,” “propose,” “seek,” “should,” “will,” “would” or similar expressions, or their negatives. These forward-looking statements include, without limitation, statements relating to:

- any changes in the laws, rules and regulations of the central and local governments in the PRC and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business and our business plans;
- our business and operating strategies and our ability to implement such strategies;
- our ability to control or reduce costs;
- our capability to identify and integrate suitable acquisition targets;
- expected growth of and changes in the EV battery industry;
- our ability to maintain good relationships with relevant governmental authorities;
- our ability to work closely with customers or suppliers;
- our future business development, results of operations and financial condition;
- the future competitive environment for the EV battery industry;
- determination of the fair value of our Shares;
- our dividend policy;
- capital market development;

FORWARD-LOOKING STATEMENTS

- exchange rate fluctuations and restrictions; and
- risks identified under “Risk Factors” of this prospectus.

This prospectus also contains market data and projections that are based on a number of assumptions. The markets may not grow at the rates projected by the market data, or at all. The failure of the markets to grow at the projected rates may materially and adversely affect our business and the market price of our Shares. In addition, due to the rapidly changing nature of the PRC economy and the EV battery industry, projections or estimates relating to the growth prospects or future conditions of the markets are subject to significant uncertainties. If any of the assumptions underlying the market data prove to be incorrect, actual results may differ from the projections based on these assumptions. You should not place undue reliance on these forward looking statements.

We do not guarantee that the transactions and events described in the forward-looking statements in this prospectus will happen as described, or at all. Actual outcomes may differ materially from the information contained in the forward-looking statements as a result of a number of factors, including, without limitation, the risks and uncertainties set forth in “Risk Factors” in this prospectus. You should read this prospectus in its entirety and with the understanding that actual future results may be materially different from what we expect. The forward-looking statements made in this prospectus relate only to events as of the date on which the statements are made or, if obtained from third-party studies or reports, the dates of the respective studies or reports. Since we operate in an evolving environment where new risks and uncertainties may emerge from time to time, you should not rely upon forward-looking statements as predictions of future events. We undertake no obligation, beyond what is required by law, to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made, even when our situation may have changed.

RISK FACTORS

You should carefully consider all of the information set out in this prospectus before making an investment in the Shares, including the risks and uncertainties described below in respect of our business and our industry and the Global Offering. If any of the possible events described below occur, our business, financial condition or results of operations could be materially and adversely affected and the market price of the Shares could fall significantly.

RISKS RELATING TO OUR INDUSTRY AND BUSINESS

Our success as a leading EV battery company depends to a great extent on our R&D capabilities and failure of our technology and product R&D efforts to meet our expectations may hurt our competitiveness and profitability.

Technological innovation is critical to our success. At the same time, as a leading EV battery company, we make significant investments in product R&D, which we believe are crucial factors for our future growth and prospects. For the years ended December 31, 2019, 2020 and 2021, and the three months ended March 31, 2021 and 2022, our R&D expenses were RMB135.9 million, RMB202.0 million, RMB285.3 million, RMB45.6 million and RMB159.2 million, respectively. In order to maintain and expand our competitive advantage, we need to devote more resources into research and development.

However, as R&D activities are inherently uncertain, we cannot assure you that our R&D projects will be successful or be completed within the anticipated time frame and budget, or that our newly developed products will achieve wide market acceptance. Even if such products can be successfully commercialized, we cannot assure you that they will be accepted by our customers and achieve anticipated sales target or profit.

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

We have limited operating history in the EV battery industry and our ability to develop, manufacture and deliver EV batteries is still evolving, and we may not be successful in expanding our operations or managing our growth effectively.

We experienced significant growth during the Track Record Period. In order to meet rapidly growing demands for quality products by our customers, in the past few years, we have grown rapidly, built up or expanded our production capacity, and recruited, trained and managed

RISK FACTORS

employees. The success of new capacity projects is affected by a number of factors beyond our control, such as construction progress, local laws and regulations, government support and customer demand for expanded capacity. Our future operating results depend to a large extent on our ability to manage our expansion and growth successfully. Risks that we face in undertaking our construction/expanding plan, among others:

- managing our supply chain to support fast business growth;
- managing a continuing growing organization as we expand;
- continuing to improve our operating efficiency;
- controlling expenses and investments in anticipation of expanded operations;
- implementing and enhancing administrative infrastructure, system and processes;
- executing our strategies and business initiative successfully; and
- addressing new markets and potentially unforeseen challenges as they arise.

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

Moreover, we have a relatively limited historical data for making judgments on the demand for our products or our ability to develop, manufacture and deliver products, or our profitability in the future. Our historical performance is not indicative of our future performance as we went through rapid growth and changes. We may not always be accurate in predicting industry trends that may emerge and affect our business. Investors should comprehensively consider our business and prospects in light of the risks and challenges we face in our industry, including our ability to continuously drive technical advancement, effectively manage our supply chain, enhance and maintain operational efficiency, and effectively manage our growth in the face of the ever-changing regulatory environment and adapting to changing market conditions, including technological developments and changes in the competitive landscape. If we fail to address any of the aforesaid risks and challenges, our business, financial condition and results of operations could be materially and adversely affected.

The sustainability of our business depends, in large part, on our ability to efficiently execute our plan to develop, manufacture, and deliver on a large-scale products with high quality meeting demands of our customers. Aforementioned capacities will be subject to risks, including with respect to delays or disruptions in our supply chain, delays in the R&D of

RISK FACTORS

technologies necessary for our products, quality control deficiencies, compliance with environmental, workplace safety, and relevant regulations, and cost overruns. Any of the foregoing could materially and adversely affect our business, financial condition and results of operations.

Moreover, we rapidly expanded our production capacity during the Track Record Period. For the years ended December 31, 2019, 2020 and 2021, and the three months ended March 31, 2021 and 2022, our production capacity was 2.97 GWh, 4.11 GWh, 11.90 GWh, 1.99 GWh and 4.14 GWh, respectively. For further details of our production capacity, please see “Business – Manufacturing and Production”. The success of our future construction/expansion projects depends on a few factors beyond our control, including construction conducted by third party construction companies and local laws and regulations. Such projects may also be subject to delays that are beyond our control. Furthermore, as we expand our business operations in the future, we expect to incur additional depreciation and operational expenses. Such expenses can increase as a percentage of our revenue in the future and adversely impact our profitability. Based on assumptions that are subject to change, we estimate the amount of expected increase in depreciation and operational expenses as a result of our expansion plans will be approximately RMB800 million in 2022. Accordingly, we may not be able to achieve the construction/expansion of our operation or the management of our growth in a timely or cost-effective manner. If we are unable to manage our growth effectively, we may not be able to take advantage of market opportunities, execute our business strategies, or respond to competitive pressures which could have a material and adverse effect on our results of operations and prospects.

At the same time, the EV battery industry in the PRC is dominated by a limited number of battery companies. According to Frost & Sullivan, in 2021, the top ten EV battery manufacturers accounted for 92.4% of EV battery installed capacity in China. We face intense market competition. If we fail to compete effectively, our business, financial condition and results of operations could be materially adversely effected.

We are involved in certain intellectual property (“IP”) infringement claims regarding some of our products and may be adversely affected if the court judgments are unfavorable to us.

During the period of August to October 2021 and August 2022, we received certain IP infringement claims under which Contemporary Amperex Technology Co., Limited (“CATL”) claimed a total of contingent compensation of RMB615 million and the expenses of RMB3.2 million against our Group. The claims involved six patents, targeting at certain components in four specified types of our battery products, and the revenue of the concerned products containing the relevant components represented a major part of our Group’s revenue during the Track Record Period.

RISK FACTORS

Our Company has engaged special IP counsel to assist us in the defence. As of the Latest Practicable Date, the claims in relation to five of the patents had moved to the substantive hearing stage and we are in the progress of contesting the Claims. Please see “Business – Regulatory Compliance and Legal Proceedings – Intellectual Property Infringement Claims” for details.

There are inherent uncertainties associated with litigation proceedings. In particular, IP infringement claims often involve an analysis of complex legal and factual issues, the determination of which is often difficult to foresee. The IP infringement claims may incur cost and be time consuming to contest, and may divert the attention of our management to certain extent. There is no assurance that the judgment of the courts regarding the abovementioned IP infringement claims will be in our favor or that we will not be materially and adversely affected in the case that the Courts rule against us. Should the court judgments be unfavorable to us, we may need to (i) make the payment of up to RMB615 million to CATL as damages and also bear the relevant litigation costs (which is estimated to be approximately RMB3.2 million); and/or (ii) cease the sales of the concerned products in the PRC market going forward. If such events do occur, we intend to continue or expedite our communication with our clients to upgrade the product version, or upgrade or change the product type to replace the concerned products. However, there is no assurance that such product version upgrading or product type upgrading or changing will be completed in time to satisfy all the requirements of the customers. Additionally, we may also suffer reputational damage due to the claims. Any of the aforementioned may adversely impact our business, financial condition and results of operations.

We are exposed to price fluctuations of raw materials, which may result in gross loss.

Raw materials have a great impact on our cost of sales. The current or expected supply of our major raw materials may fluctuate depending on a number of factors, including but not limited to the availability of resources in the raw materials market, market demand, potential speculation, market disruptions, natural disasters and other factors. We may not be able to ensure that we continue to obtain stable, high-quality raw materials at reasonable prices. Raw materials applied to our products primarily include cathodes, anodes, electrolyte and separators. Raw material costs accounted for 77.0%, 76.1%, 84.2%, 81.5% and 83.9% respectively, of our cost of sales for each of the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022. According to Frost & Sullivan, the price of our raw materials have increased significantly in 2021 and 2022. Please see the section headed “Industry Overview – Overview of EV Battery Market” for further details of our raw material price changes. Increases in the price of raw materials we need may materially and adversely affect our business, financial condition and results of operations.

RISK FACTORS

We purchase a substantial portion of raw materials from a number of major suppliers. For the years ended December 31, 2019, 2020 and 2021, and the three months ended March 31, 2022, purchase from our top five suppliers was RMB2,311.4 million, RMB1,576.8 million, RMB5,366.5 million and RMB3,154.7 million, respectively, accounted for approximately 66.3%, 45.3%, 46.7% and 56.8% of our total purchase amount for the corresponding period. The purchase from our largest supplier accounted for RMB913.6 million, RMB634.0 million, RMB2,976.1 million and RMB1,725.8 million, representing approximately 26.2%, 18.2%, 25.9% and 31.1% of our total purchase amount for the corresponding period. If we are unable to purchase sufficient amounts of raw materials from these suppliers, if the price of raw materials we needed increases significantly and we are unable to timely negotiate with customers on the price adjustment due to such increase, or the quality of such raw materials decreases, the overall productivity and profitability of our operations would be materially and adversely affected, and therefore our business, financial condition and results of operations would be materially and adversely affected.

We may be subject to the adverse impact of raw material price changes in association with our order locking of raw materials.

To mitigate the impact from the fluctuation of raw material, we adopt the strategy of locking orders (order locking refers to placing orders in relatively low market prices) in order to obtain more competitive prices in response to the expected phased increase in the prices of some raw materials. The strategy of locking orders is conducted under friendly negotiations with suppliers, particularly when we predict that this is highly probable that the raw material price will increase in the near-term (i.e. we will not enter into locking orders when we foresee the raw material price to drop). In addition, as raw material prices may be subject to substantial changes and its long-term price may be harder to estimate, we only enter into the aforementioned arrangement for the short term (generally, no longer than six-months). However, in the event that the relevant raw material does not increase as expected, we may be subject to the adverse impact of purchasing raw materials at prices that are higher than the market price, which in turn may adversely affect our results of operations.

Our business is subject to the market forces in the EV battery industry and our results are dependent in part on the changes in industries of our customers and market demand for their end products.

We are heavily exposed to the market forces in the EV battery industry, and the demand in end markets for products in which EV battery is used. The demand for EV battery is dependent on factors such as use of EV battery in end markets, new technological developments resulting in new product and/or technology substitutions, and general economic conditions. The demand for EV batteries has been growing rapidly in recent years, mainly due to the explosive growth in demand for NEVs. For the years ended December 31, 2019, 2020 and 2021, and the three months ended March 31, 2021 and 2022, our revenue generated from sales of EV batteries amounted to RMB1,409.9 million, RMB2,499.3 million, RMB6,065.2 million, RMB961.0 million and RMB3,691.2 million, respectively, representing 81.3%, 88.5%, 89.0%, 90.4% and 94.7% of our total revenue in the same periods, respectively. For details of

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the growth in NEV market, please see the section headed “Industry Overview”. Moreover, our customers generally work with us to design and develop our products for use in their end products, such as NEVs and ESS. Accordingly, demand for our products depends in part on the demand for the end products from consumers, and the pace of industry acceptance and adoption of new technologies or standards, and any reduction in demand or activity in such industries could cause our customers to reduce their orders from us, which may materially impact our business, financial condition and results of operations.

The PRC government has been focusing on developing the NEVs industry and has introduced incentives to encourage domestic purchase of NEVs. However, there is no assurance that the demand for EV batteries will continue to increase. In addition, if a more substitute for EV batteries gains market acceptance and/or if we fail to anticipate the industry trends of the end markets that we serve, our business, financial condition, results of operations and prospectus may be materially and adversely affected.

Furthermore, our efforts to enhance our production capabilities may not achieve the expected benefits. We cannot assure you that the demand for our products will continue to increase, or remain at the current levels, which is affected by various factors beyond our control, including underlying economic conditions and market competitiveness. If the demand for our products is weaker than anticipated, we may experience problems associated with overcapacity and under-utilization of headcounts and other resources, which may have an adverse effect on our financial conditions, results of operations and business. In addition, one of our customers, Customer G, has a subsidiary that engages in the development and manufacturing of EV batteries. As of current, we are the major supplier to Customer G, and we do not foresee any material changes to our relationship with Customer G. But our business, financial condition and prospects may be adversely impacted should any of our customers decide to increasingly or completely source its EV batteries internally.

We may not be able to prevent the unauthorized use of our intellectual property rights by others, which could damage our business and competitive position.

We rely primarily on a combination of our patents, trade secrets, trademarks, the confidentiality agreements signed by the employees, and confidentiality agreements signed with the third parties to protect our intellectual property rights. As of the Latest Practicable Date, we were not involved in legal proceedings against parties who we believe are infringing upon our intellectual property rights. Please see “Business – Intellectual Property” and “Appendix VI Statutory and General Information – B. Intellectual Property Rights”. To protect our intellectual property rights and maintain our competitive advantage, we may engage in legal proceedings against parties who we believe are infringing upon our intellectual property rights. Legal proceedings are often costly and may divert management attention and our resources away from our business. In certain situations, we may have to initiate legal proceedings in foreign jurisdictions, in which case we are subject to additional risks as to the result of the proceedings and the amount of damages that we can recover.

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We may be involved in intellectual property infringement claims and invalidation applications, which may be time-consuming and result in us bearing expenses.

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

- cease to sell products that are involved in the challenged intellectual property rights owned by others;
- pay damages;
- redesign our products; or
- establish and maintain alternative branding for our products.

The validity and scope of any potential claims/requests can be complicated and involve complex scientific, legal and factual questions and analysis and, therefore, may be highly uncertain. The defense and prosecution of intellectual property suits, patent opposition proceedings and related legal and administrative proceedings or requests can be both costly and time consuming and may significantly divert the efforts and resources of our management. Moreover, in the event that our competitors initiate malicious lawsuits or wrongful legal procedures, defending these claims, regardless of their merit, would involve additional litigation expense and may be a diversion of our management's time and energy. A determination in any such litigation or proceedings or requests to which we are a party may invalidate our patents, subject us to pay damages to third parties, require us to seek licenses from third parties, pay ongoing royalties, or redesign our products or subject us to injunctions prohibiting the manufacture and sale of our products or the use of our technologies. For the ongoing intellectual property infringement claims and patent invalidation applications against us, please see "Business – Regulatory Compliance and Legal Proceedings – Intellectual Property Infringement Claims" and "Business – Regulatory Compliance and Legal Proceedings – Patent Invalidation Applications" for details.

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We have a high concentration of customers.

For the years ended December 31, 2019, 2020 and 2021, and the three months ended March 31, 2022, our revenue from the top five customers was approximately RMB1,398.5 million, RMB2,352.8 million, RMB5,647.0 million and RMB3,341.4 million, accounting for 80.7%, 83.2%, 82.9% and 85.8% of our total revenue during the period, respectively. During the same period, our revenue from the largest customer was RMB686.4 million, RMB1,557.5 million, RMB3,537.1 million and RMB1,207.6 million, accounting for 39.6%, 55.1%, 51.9% and 31.0% of our total revenue during the period, respectively. The revenue to Customer G accounted for approximately 26.6%, 55.1%, 51.9% and 31.0%, of our total revenue for the years ended December 31, 2019, 2020, 2021 and the three months ended March 31, 2022, respectively. This was generally a result of (i) our production capacity (as compared to now) was relatively limited when we commenced our cooperation with Customer G, whereby we elected to conduct a key customer strategy together with a business focus, which we believe, could better match our resource invested with the customer's needs; (ii) a mutual commitment based on the fact that Customer G is a leading NEV manufacturer with stringent requirements on product performance, safety performance, production capabilities, and whereby our advanced technology and product competitiveness can meet its high standards. This is a core factor behind our close collaboration with Customer G; and (iii) we choose to centralize production capacity and closely cooperate with several leading customers to provide high-quality products and efficient services, maximizing our production and operating efficiency. Please see "Business – Sales and Marketing – Customer Concentration".

Therefore, we may be affected by risks arising from the customer concentration. We cannot assure that our major customers will not change their business scope or business model nor suspend their operation, while maintaining their operation in compliance with applicable laws with holding appropriate operating licenses and approvals, or they will not encounter any operating or financial difficulties. Any material adverse changes in the business, operation and financial conditions of such customers may have a material adverse effect on us, and if we are unable to identify suitable new customers within a reasonable period of time, our business, financial condition and results of operation may be adversely affected.

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

We have plans and have adopted measures to sustain our business and continue to enhance our profitability. We intend to continue to invest substantially in the foreseeable future in expanding our production facilities, improving our technologies, offering additional solutions and products, and expand our customer bases. Such plans include but are not limited to materially expanding our production capacity through production bases that include our Chengdu Project Phase I, Hefei Project Phase I and Phase II, Guangdong Jiangmen Project Phase I, and Sichuan Meishan Project, to continue to optimize product design and improve product performance, and to continue to conduct strategy cooperation and joint development with suppliers to leverage the suppliers' resource pool. For details of our plans and measures adopted, please see "Business – Sales and Marketing – Business Sustainability." However, such plans may not materialize or develop as timely as expected, in which case our profitability may

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not be further enhanced as planned. In addition, if we fail to achieve economies of scale through our efforts or fail to adopt adequate cost control and price adjustment measures, our profitability may be adversely affected. These plans may be more costly than we expect, which may result in significantly increased expense and failure to achieve our intended profitability. In the worst case of the abovementioned events, our business sustainability may be affected.

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

Our products are applied to our customer's final products. New legislations or changes in the PRC regulatory requirements regarding these end markets may affect our business, financial condition, results of operations and prospects. For example, the PRC government has promulgated, amended and updated a number of legislations in relation to the NEVs market. On June 28, 2012, the State Council of PRC approved the Energy-saving and New Energy Automobile Industry Development Plan (2012-2020) (《節能與新能源汽車產業發展規劃(2012-2020年)》) (國發[2012]22號), granting supports and subsidies to NEVs and hybrid vehicles. On July 14, 2014, the General Office of the State Council issued the Guiding Opinion of the General Office of the State Council on Accelerating the Popularization and Application of New Energy Vehicle (《國務院辦公廳關於加快新能源汽車推廣應用的指導意見》) (國辦發[2014]35號) to grant further tax incentives and exemptions for NEVs. On March 13, 2015, the Ministry of Communications issued the Opinions on Accelerating the Promotion and Application of New Energy Vehicles in the Transportation Industry (《關於加快推進新能源汽車在交通運輸行業推廣應用的實施意見》) (交運發[2015]34號). A preferential vehicle licensing system has also been introduced in several cities in the PRC to further encourage the purchases of NEVs. On October 20, 2020, the State Council issued the "Development Plan for New Energy Automobile Industry (2021-2035)" (Guobanfa [2020] No. 39) (《新能源汽車產業發展規劃(2021-2035年)》) (國辦發[2020]39號)), proposing to achieve the large-scale application of highly autonomous vehicles through a 15-year effort. However, these policies are subject to certain limits as well as changes that are beyond our control, and we cannot assure you that future changes, if any, would be favorable to our business or financial condition. For instance, according to the Notice on Improving the Financial Subsidy Policies for the Promotion and Application of New Energy Vehicles (《關於完善新能源汽車推廣應用財政補貼政策的通知》) (collectively, the **"2020 Subsidy Circular"**), released on April 23, 2020, which was further confirmed on December 31, 2020 and December 31, 2021, save in areas such as public transportation, the subsidies for NEV purchases from 2020 to 2022 will generally be reduced by 10%, 20% and 30%, respectively, based on the level of the previous year, and the total number of NEVs sold in China that will be entitled to such subsidies should be no more than two million each year. In addition, according to the 2020 Subsidy Circular, the national NEV subsidy policy will be terminated on December 31, 2022. For the years ended December 31, 2019, 2020 and 2021, and the three months ended March 31, 2021 and 2022, our revenue generated from sales of EV batteries amounted to RMB1,409.9 million, RMB2,499.3 million, RMB6,065.2 million, RMB961.0 million and RMB3,691.2 million, respectively, representing 81.3%, 88.5%, 89.0%, 90.4% and 90.7% of our total revenue in the same periods, respectively. Any uncertainty or delay in collection of the government subsidies may have an adverse impact on our product's end markets, which in turn might adversely affect the demand of our products.

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In addition, in the context of the national goal of carbon neutral, China energy storage market welcomes a series of favorable policies. For instance, Action Plan for Carbon Dioxide Peaking Before 2030 issued by the State Council in 2021 unveiled a series of action plan to accelerate the energy storage development. For the years ended December 31, 2019, 2020 and 2021, and the three months ended March 31, 2021 and 2022, our revenue generated from sales of ESS amounted to RMB181.2 million, RMB238.2 million, RMB446.1 million, RMB74.6 million and RMB100.1 million, respectively, representing 10.5%, 8.4%, 6.5%, 7.0% and 2.6% of our total revenue in the same periods, respectively.

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

We may be subject to risks associated with EV batteries and we may not have adequate insurance to cover against such claims. At the same time, we may not be able to obtain/purchase adequate insurance for losses and liabilities arising from various operational risks and hazards to which we are exposed.

The lithium-ion batteries that we produce which on rare occasions can cause damage. Accordingly, we face inherent risk of exposure to claims when our products malfunction resulting in property damage, personal injury, or death. Our battery management system automatically monitors temperature, power output, and other status of EV batteries, including a thermal management system that keeps the temperature of EV batteries within an ideal range. However, our batteries may still experience defects, which could subject us to lawsuits, product recalls, or redesign efforts, all of which would be time consuming and expensive. During the Track Record Period, we sold EV batteries to CALB USA INC (“CALB USA”) for resale to other customers. Since we have limited control over the customers (such as CALB USA) who may resell our products, we cannot control the entire process of resale and therefore cannot guarantee that the products sold to their downstream customers will fully meet our quality standards. Product liability claims against us could require us to pay substantial monetary compensation. Moreover, a product liability claim could generate substantial negative publicity about our products and business and inhibit or prevent commercialization of our future products, which would materially and adversely affect our brand, business, prospects, and results of operations. Any insurance coverage might not be sufficient to cover all potential product liability claims.

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

Our financial result may be affected by government grants.

We recognized government grants of RMB308.6 million, RMB134.9 million, RMB364.5 million, RMB46.6 million and RMB151.1 million, for the years ended December 31, 2019, 2020 and 2021, and the three months ended March 31, 2021 and 2022, respectively. Not all of the government grants are recurring in nature. For the years ended December 31, 2019, 2020 and 2021, and the three months ended March 31, 2021 and 2022, we recognized RMB121.7 million, RMB50.7 million, RMB77.4 million, RMB15.9 million and RMB3.1 million government grants respectively which were non-recurring in nature. Government grants we received are uncertain and are subject to certain criteria and procedures stipulated by the local government. In addition, the development focus of local government may shift to other industries over time. We cannot assure you that we will be able to receive any such government grants in the future. If we are unable to receive the government grants in the future as we received at the same level during the Track Record Period, our profitability for the period may be adversely affected.

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

We depend on the supply of energy to maintain our production processes. Our production volume and production costs are affected by price and supply of energy. The price of energy are subject to a number of factors which may be beyond our control, including inflation, supplier capacity constraints, general economic conditions, commodity price fluctuations, demand from other industries for energy, and local and national regulatory requirements. Furthermore, we cannot assure that unexpected and serious shortages of energy will not occur in the future or that we will be able to pass on any cost increases to our customers. Any possible changes in the power consumption policies, especially those leading to rising prices of energy

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could adversely affect our business, financial condition, results of operations and prospects. Significant fluctuations in such costs may have a material effect on our profitability if we are unable to adjust the price of our products accordingly and may also negatively affect our competitive advantage. If we are unable to pass increased costs onto our consumers, which will result in a decrease of our profit margins. Moreover, if the supply of energy is affected by natural disasters, adverse weather conditions, suppliers' equipment failures, disruptions in transport or other inclement factors, we may not be able to locate alternative sources of supply and/(or) at acceptable prices. Any such events may have a material adverse effect on our business, financial condition and results of operations.

Our business was and may be interrupted by the COVID-19 pandemic.

In response to the COVID-19 pandemic, the PRC government enacted a number of measures, including implementing mandatory quarantine, requiring residents to remain at home and to avoid gathering in public. The COVID-19 pandemic has also resulted in the temporary closure of many corporate offices, retail stores and manufacturing facilities across the country. Manufacturing facilities were required to be closed down for an extended period of time. We didn't experience temporary closure of our offices and manufacturing facilities as of the Latest Practicable Date. Recently, with the outbreak of Omicron variant, the logistics in some regions have been affected to various degrees due to the pandemic. However, as we made a plan and stocked materials in advance, our production and operation have not encountered any disruption, nor has our product delivery been substantively affected. However, we may incur additional costs for dealing with the COVID-19 pandemic, such as the costs to maintain sanitation and invest in supervisory devices. Many of the restrictions on movements within the PRC had been relaxed as of the Latest Practicable Date, but there is still uncertainty as to the future progress and impact of the disease and thus, we may still be subject to operational restrictions. The demand from our customers may fluctuate due to COVID-19 pandemic, thus our business, financial condition, results of operations and prospects may in turn be affected, and may continue to be affected in the future.

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

During the Track Record Period, we relied on third-party service providers for logistics services in connection with our business. We obtain services from third-party service providers who we believe are able to meet our specifications and requirements. However, the services provided by any of the third-party service providers may not be provided in a timely manner. If the third-party service providers do not perform satisfactorily, substantially reduce the amount and scope of services provided to us, substantially increase the prices of their services or terminate their business relationship with us, we may need to replace the third-party service providers or take other remedial actions which could increase our costs of operations. As we do not have direct control over the third-party service providers, if they become involved in the unauthorized provision of services not complying with our requirements or that of our customers, our reputation in the industry will be affected. Our reputation in the industry will

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also be adversely affected if the third-party service providers do not comply with applicable laws and regulations. This, in turn, may materially and adversely affect our business, financial condition and results of operations.

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

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

We face risks of sharing relevant R&D results with our collaboration partners at the level of jointly established entities.

During the Track Record Period and up to the Latest Practicable Date, we jointly established entities with counterparties including the investment platform of relevant local governments, which could facilitate our expansion into the certain areas. Please see “History – Subsidiaries of Our Company” for further details. We may enter into similar arrangements to jointly establish entities with the investment platform of other local governments or other third parties in the future. Our agreements in relation to these collaborations may require us to share relevant R&D results with these partners at the level of jointly established entities. There is no assurance that our relevant counterparties would not advertently/inadvertently misuse the R&D results that we collaboratively form, or advertently/inadvertently misappropriate the R&D results owned solely by us and that are incidentally shared during our collaboration with them. Our business, financial condition and results of operations may be adversely impacted if any of the aforementioned incidents happen.

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

We have not experienced any material work stoppages, strikes or other major labor problems in the past. However, there is no assurance that any of such events will not arise in the future. If our employees were to engage in a strike or other work stoppage, we could experience significant disruption of our operations and/or higher on-going labor costs, which may have an adverse effect on our businesses, financial condition and results of operations. As of the Latest Practicable Date, we had 7,380 employees. Some of our employees are currently represented by labor unions. In addition, employees of some of our suppliers or customers may become unionized in the future or experience labor instability and we may not be able to predict the outcome of any future labor negotiations. Any conflicts between us and our employees' labor union or between our suppliers and customers and their respective unions (if any) could have an adverse effect on our financial condition and results of operations. Furthermore, certain personnel in our industry may be subject to non-compete restrictions, and we may be impacted by such provision.

As at December 31 2019, December 31 2020, and December 31 2021, and the three months ended March 31, 2021 and 2022, our labour costs amounted to RMB91.3 million, RMB138.8 million, RMB244.2 million, RMB41.6 million and RMB157.2 million, representing approximately 5.5%, 5.7%, 3.8%, 4.5% and 4.4%, of our cost of sales as at the respective year end dates. In addition, labor costs in regions where we operate have been increasing in recent years and could potentially continue to increase. If labor costs in these regions continue to increase, our production costs will increase. We may not be able to pass on these increased costs to customers by increasing the selling prices of our products in light of competitive pressure in the markets where we operate. In such circumstances, our profit margin may decrease, which could have an adverse effect on our financial condition and results of operations.

Some employees may have disputes with us over social insurance and housing provident fund.

In accordance with applicable PRC laws and regulations, we are obliged to contribute to social insurance and housing provident funds for our employees. During the Track Record Period, some employees might have disputes with us over social insurance and housing provident funds. We have made provisions in the amounts of RMB4.5 million, RMB3.2 million, RMB15.8 million and RMB6.8 million to our consolidated statements of profit or loss in respect of such potential liabilities for the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2022, respectively, for our Group. In case of relevant disputes, according to the Social Insurance Law of the PRC (中華人民共和國社會保險法), the relevant PRC authorities may demand that we pay the outstanding social insurance contributions within a stipulated deadline and we may be liable for a late payment fee equal to 0.05% of the outstanding social insurance fee contribution amount for each day of delay. If we fail to make such payments, we may be liable to a fine of one to three times the outstanding contribution amount. In which case, our financial condition and results of operations may be materially and adversely affected.

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

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

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

We are dependent upon our senior management team and highly qualified personnel with specialized skills, and our business, results of operations and financial condition may suffer if there are significant changes in our senior management team.

We have been, and will continue to be, heavily dependent on the continued services of our senior management team. If we lose the services of any member of our senior management team, we may not be able to find suitable replacements in a timely manner, at acceptable cost or at all, and our business, results of operations, financial condition and prospects could be materially and adversely affected. Our success also depends on our ability to attract and retain experienced and highly trained personnel. However, competition to hire highly qualified personnel is intense and we cannot guarantee that we will be able to meet our staffing needs in the future. Any failure by us to hire or replace a sufficient number of skilled employees on a timely and effective basis could have negative repercussions on our business, financial condition, results of operations and prospects.

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We are exposed to credit risk of our customers and failure to collect our trade and bills receivables in a timely manner may affect our financial condition and results of operations.

Our trade receivables turnover days were 134 days for the year ended December 31, 2019, 91 days for the year ended December 31, 2020, 81 days for the year ended December 31, 2021 and 65 days for the three months ended March 31, 2022. As of December 31, 2019, 2020 and 2021, and March 31, 2022, our trade and bills receivables amounted to approximately RMB1,141.9 million, RMB1,246.3 million, RMB2,714.7 million and RMB4,997.9 million, respectively. Should the credit worthiness of our customers deteriorate or should a significant number of our customers fail to settle their trade and bills receivables in full for any reason, we may incur impairment losses and our results of operations and financial position could be materially and adversely affected. In addition, there may be a risk of delay in payment by our customers from their respective credit period, which in turn may also result in an impairment loss provision. There is no assurance that we will be able to fully recover our trade and bills receivables from the customers or that they will settle our trade and bills receivables in a timely manner. In the event that settlements from customers are not made on a timely manner, or at all, our financial condition and results of operations may be materially and adversely affected.

Any financial or economic crisis, or perceived threat of such a crisis, including a significant decrease in consumer confidence, may materially and adversely affect our business, financial condition, and results of operations.

The global financial markets experienced significant disruptions in 2008 and the United States, European and other economies went into recession. The recovery from the lows of 2008 and 2009 was uneven and the global financial markets are facing new challenges, including the escalation of the European sovereign debt crisis since 2011, the recent geopolitical conflicts relating to Ukraine, the end of quantitative easing by the U.S. Federal Reserve, the economic slowdown in the Eurozone since 2014, uncertainties over the impact of Brexit, the ongoing trade disputes and tariff wars between U.S. and China, and the impact of COVID-19 outbreak and the related economic policies taken by various governments in the world. It is unclear whether these challenges will be contained and what effects they each may have. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies that have been adopted by the central banks and financial authorities of some of the world's leading economies, including China's. Economic conditions in China are sensitive to global economic conditions. Any prolonged slowdown in China's economic development might lead to tighter credit markets, increased market volatility, sudden drops in business and consumer confidence and dramatic changes in business and consumer behaviors. Sales of our customers' end products depend in part on discretionary consumer spending and are even more exposed to adverse changes in general economic conditions. In response to their perceived uncertainty in economic conditions, consumers might delay, reduce or cancel purchases of our customers' end products, which may in turn materially and adversely affect our results of operations indirectly.

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

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

We may be subject to penalties from the PBOC or adverse judicial rulings as a result of incurring loan financings by related parties.

As of December 31, 2019, 2020 and 2021, and March 31, 2022, we incurred loans in the amount of RMB696.2 million, nil, nil and nil respectively from related parties, namely Jinsha Investment and Changzhou Jinsha Capital Management Co., Ltd.* (常州金沙資金管理有限公司). As of the Latest Practicable Date, the principal and related interests of these loans had been fully repaid or converted into paid-in capital. According to the General Lending Provisions (貸款通則) promulgated by the PBOC, only financial institutions may legally engage in the business of extending loans, and loans between companies that are not financial institutions are prohibited. The PBOC may impose a fine of one to five times of the income generated (being interests charged) from the loan advancing activities between enterprises. However, according to the Provisions of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases (最高人民法院關於審理民間借貸案件適用法律若干問題的規定), which became effective on September 1, 2015 and was revised on August 20, 2020 and December 29, 2020, the validity of inter-company loan agreements which are for the needs of production and operations should be generally supported by the people's courts, except where they are deemed as invalid contracts under the Private Lending Provisions and the Civil Code of the PRC (中華人民共和國民法典).

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As of the Latest Practicable Date, we had not been subject to any administrative penalties, investigations, enforcement actions or received any notice from any regulatory authority with respect to potential administrative penalties, investigations or enforcement actions as a result of our incurring of the related party loans described above. As these loan agreements have been entered on the principles of voluntariness, mutual assistance and good faith, our PRC Legal Advisor is of the view that, such loan contract agreements do not violate the mandatory provisions of laws and administrative regulations. However, the final determination of the relevant regulatory authorities could be different, and we may be subject to penalties from the PBOC or adverse judicial rulings as a result of our provision of loan financings to related parties during the Track Record Period or any prior periods. Any of these penalties or adverse judicial rulings could have a material adverse effect on our business, financial condition and results of operations.

We may experience delays in obtaining the relevant PRC governmental approvals, licenses or permits for our new construction/expansion projects.

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

We recorded net operating cash outflow of RMB513.8 million and RMB2,326.0 million during the year ended 31 December 2019 and the three months ended 31 March 2022, respectively. If we record net operating cash outflow in the future, our liquidity, financial condition and prospects may be adversely affected.

For the year ended 31 December 2019 and the three months ended 31 March 2022, we had net cash outflow from operating activities of RMB513.8 million and RMB2,326.0 million, respectively. See “Financial Information – Liquidity and Capital Resources – Consolidated Statements of Cash Flows” for further details. There is no assurance that we will not experience net cash outflows from our operating activities in the future. In the event that we are unable to generate sufficient cash flow for our operations or otherwise unable to obtain sufficient funds to finance our business, our liquidity, financial condition and prospects may be adversely affected. We cannot assure you that we will have sufficient cash from other sources to fund our operations. If we resort to other financing activities to obtain additional cash, we will incur additional financing costs, and we cannot assure you that we will be able to obtain the financing on terms acceptable to us, or at all.

RISK FACTORS

We recorded net losses for the years ended December 31, 2019 and 2020 and may continue to experience loss in the future.

For the years ended 31 December, 2019 and 2020, we had incurred loss for the year of RMB156.4 million and RMB18.3 million respectively. See “Financial Information – Results of Operations” for further details. Although we turned profitable and recorded net profit of RMB111.5 million and RMB58.0 million for the year ended 31 December 2021 and the three months ended 31 March 2022, respectively, we cannot assure you that we will be able to record net profits continuously in the future. Our ability to achieve profitability is affected by various factors that are beyond our control, including increasing competition and other risks discussed herein, and we may incur unforeseen expenses, or encounter difficulties, complications, or delays in obtaining revenues or profitability. Furthermore, if we are unable to successfully offset our increased costs and expenses with appropriate measures to increase our revenue and margins, our financial condition and results of operations may be adversely affected. We may also incur losses in the future due to our continued and increased investments in research and development, marketing, human resources, and other aspects of our business and operations.

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

We had intangible assets of RMB552.2 million, RMB776.8 million, RMB1,075.0 million and RMB1,053.3 million as of December 31, 2019, 2020 and 2021 and March 31, 2022, respectively. Our intangible assets mainly consist of patent, proprietary technology and development cost. For further details, please see “Financial Information – Analysis of selected consolidated statements of financial position – Intangible Assets” in this prospectus.

However, the intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the carrying value of our intangible assets is considered to exceed its recoverable amount and is therefore determined to be impaired in the future, we would be required to write down the carrying value or record a provision of impairment loss for these intangible assets in our financial statements during the period in which our intangible assets are determined to be impaired, and this impairment would adversely affect our results of operations and our financial condition. For the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, we recognized impairment loss on intangible assets amounted to nil, nil, RMB15,000, nil and nil respectively. While we did not recognize substantial impairment loss for intangible assets during the Track Record Period, we cannot assure you that there will be no such charges in the future and such impairment loss could adversely affect our results of operations and financial conditions.

We are exposed to inventory obsolescence risk.

Our inventory comprises: (i) raw materials; (ii) work in progress; and (iii) finished goods. As at 31 December 2019, 2020 and 2021 and March 31, 2022 our inventory balances amounted to RMB1,309.2 million, RMB760.3 million, RMB1,756.8 million and RMB2,759.3 million. Our inventory turnover days were 163 days in 2019, 155 days in 2020, 71 days in 2021 and 57 days in three month ended March 31, 2022. Inventory turnover days equals the average of the beginning and ending inventories for the year/period divided by cost of sales for the year/period and multiplied by the number of days of the year/period.

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We use highly efficient smart logistics system and data system to improve operation efficiency, precise management, and achieve optimal inventory turnover efficiency. For further details, please see “Business – Warehousing, Logistics and Inventory Management” in this prospectus. However, we cannot assure you that our inventory management measures will be implemented effectively so that we will not have significant levels of obsolete or excessive inventories. As we plan to launch new projects or scale up existing projects to further increase our production capacity, we expect to include more materials in our inventories, which will make it more challenging for us to manage our inventories effectively. In the event that we cannot effectively implement our inventory management in the future we may be subject to a heightened risk of inventory obsolescence, a decline in inventory values, and significant inventory write-offs. High inventory levels may also divert substantial capital resources, preventing us from using that capital for other purposes. Any of the above may adversely affect our financial position and results of operations.

We may face challenges from new power systems that could be applied to our end products.

EV batteries is a core component of NEVs. Benefitting from the growth of global NEV market, the EV battery market gained a steady growth with the installed capacity growing from 64.3 GWh in 2017 to 293.7 GWh in 2021 with a CAGR of 46.2%. In the forecast period below, in line with the continuous growth of global NEV market, the global EV battery installed capacity are expected to grow at a CAGR of 33.8% from 2022 to 2026 and reach 1,386.7 GWh in 2026. There is no guarantee that there would not be a development of power system for EVs that could replace batteries. In the event that a new power system is to replace batteries, our business, financial condition and results of operations would be adversely affected.

Our deferred tax assets may not be recovered, which could adversely affect our results of operations.

As at 31 December 2019, 2020 and 2021 and March 31, 2022, our deferred tax assets amounted to RMB174.8 million, RMB147.6 million, RMB362.5 million, and RMB345.6 million respectively. For details on the movements of our deferred tax assets during the Track Record Period, please see Note 41 to the Accountant’s Report in Appendix I to this prospectus. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. In this context, we cannot guarantee the recoverability or predict the movement of our deferred tax assets. Furthermore, we cannot predict any future movements in our deferred tax assets and to what extent they may affect our financial position in the future. Any of these events may have an adverse effect on our business, financial condition and results of operation.

RISK FACTORS

Our results of operations are affected by the share of results of associates.

As of December 31, 2019, 2020 and 2021 and March 31, 2022 our investments in associates amounted to RMB61.9 million, RMB67.9 million, RMB1,105.0 million and RMB17.0 million, respectively. See note 25 to the Accountant's Report in Appendix I to this prospectus. Our share of results of associates amounted to loss of RMB8.7 million, gain of RMB0.6 million, loss of RMB24.7 million, gain of RMB3.6 million and gain of RMB14.6 million, for the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022. At the same time, for the year ended December 31, 2021, our impairment loss on investment in associate – Luoyang Company amounted to RMB178.7 million. Disposal of Luoyang Company will not have a material adverse impact on our operation and financial performance. Please see “Relationship with Jintan Group – Business Delineation and Competition – Potential Impact on our Group as a result of the disposal of Luoyang Company” for further details. Moreover, going forward, we expect our financial performance to improve in general alongside our business growth and following the disposal of Luoyang Company as it was loss making. Our results of operations are affected by the share of results of associates under equity accounting. We cannot assure you that our associates will remain profitable in the future. The profitability of our associate could be subject to adverse impact not within our control and in turn materially and adversely affect our results of operations through our share of results of associates through equity accounting.

In addition, there is liquidity risk associated with our investments in associates. Even if our associates are profitable and we recognize profits through share of results of associates under equity accounting, we may not receive any cash flow from the associates until and unless we receive dividends from them, the decision of which is not within our control. As we do not have control in our associates, we are not in a position to procure our associates to declare dividends in the event that they are profitable. As such, we may not be able to readily generate any cash flow from our investment in associates to fund our operations from time to time, or at all.

Our results of operations for the year ended December 31, 2021 was affected by the gain on disposal of a subsidiary.

We entered into an equity transfer agreement with Jincheng Technology on October 18, 2021, pursuant to which our Company agreed to sell and Jincheng Technology agreed to purchase the 51% of equity interests in Luoyang Company, and the transfer was completed on November 8, 2021. For details, please see “History, Development and Corporate Structure – Acquisition and Disposal of Luoyang Company” of this prospectus. In relation to the transfer aforementioned, we recorded a gain on disposal of a subsidiary of RMB347.2 million for the year ended December 31, 2021. Such gain was non-recurring in nature and affected our results of operations for the year ended December 31, 2021.

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Fair value change of financial assets at FVTPL and/or financial assets at FVTOCI may affect our results of operations.

Fluctuation in fair value change of our financial assets at FVTPL and/or financial assets at FVTOCI, which primarily consist of certificates of deposit and investments in wealth management products and structured products. As of December 31, 2019, 2020 and 2021 and March 31, 2022, we had financial assets at FVTPL of RMB89.7 million, RMB1,002.4 million, RMB3,713.7 million and RMB518.9 million, respectively. As of December 31, 2019, 2020 and 2021 and March 31, 2022, we had financial assets at FVTOCI of nil, RMB1,601.3 million, RMB2,468.9 million and RMB2,488.0 million, respectively. See Note 6 to the Accountant's Report in "Appendix I". We are exposed to credit risk in relation to our investments in wealth management products, which may adversely affect the net changes in their fair value. We cannot assure you that market conditions and regulatory environment will create fair value gains on the wealth management products we invest in or that we will not incur any fair value losses on our investments in wealth management products in the future. If we incur such fair value losses, our results of operations, financial condition and prospects may be adversely affected.

If we fail to recover the deposits paid for purchase of property, plant and equipment, our operation results and financial conditions may be adversely and materially affected.

During the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2022, we paid RMB252.5 million, RMB484.2 million, RMB1,676.0 million and RMB2,314.3 million for deposits for purchase of property, plant and equipment. Such deposits were mainly incurred due to continued expansion of our production capacity. There is no guarantee that the suppliers will perform their obligations in a timely manner and we are subject to credit risk in relation to such deposits. We conduct assessments on the recoverability of deposits based on, among others, our historical settlement records, our relationship with relevant counterparties, payment terms, current economic trends and to a certain extent, the larger economic and regulatory environment, which involve the use of various judgments, assumptions and estimates by our management. However, there is no assurance that our expectations or estimates will be entirely accurate for the future, as we are not in control of all the underlying factors affecting such deposits. Therefore, if we are not able to recover the deposits and prepayments as scheduled, our liquidity, financial position and results of operations may be adversely affected.

We may be required to perform our obligations under put options to acquire certain interests in the relevant companies and the fair value change for and valuation uncertainty of the put option liabilities may adversely affect our financial condition and results of operations.

We entered into agreements with some local governmental bodies and agreed, within a certain period of time, to acquire partial or entire interests held by them in the relevant companies in which we also hold certain proportion of interest. According to these agreements, such put options are to be terminated automatically and of no effect on the date when we submit our listing application for the listing of our Shares on any domestic or foreign stock exchange.

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Save for the statutory procedures required for the transfer of state-owned assets, there is no other approval procedure or restriction/condition set on such agreements with these local government bodies. If subsequently our Company withdraws our listing application or our listing application is not approved, such option will be automatically restored, and we may be required to perform our obligations under put options to acquire certain interests in the relevant companies. For details, please see “History Development and Corporate Structure – Subsidiaries of Our Company.” In addition, we may enter into similar arrangements with local governmental bodies, state-owned companies or others third parties (such as investment or joint venture partners) in the future. If we are not able to meet the relevant conditions agreed, we may be required to perform our obligations under such put options such as acquiring the interests in the relevant companies. The performance of our obligations under the put option agreements may adversely affect our working capital sufficiency and may therefore in turn adversely affect the financial position and operation (including the implementation of expansion plan) of our Group. Our Group’s financial performance may also be adversely affected due to the fair value change in the relevant put option liabilities until such put options are terminated.

For the year ended December 31, 2021 and the three months ended March 31, 2022, we incurred a loss on changes in fair value in put option liabilities of RMB14.5 million and RMB19.8 million. As our put option liabilities lacks an active market with quoted price of identical instruments, its fair value is measured by using unobservable inputs and the fair value of such instruments may not be reliably measured. For details of the accounting treatment, please see Note 7 to the Accountant’s Report in Appendix I to this prospectus. Thus, our Group is exposed to changes in fair value and valuation uncertainty which may materially and adversely affect our financial conditions and results of operations.

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

Contract liabilities are mainly advance payments from customers. The amounts are expected to be recognized as revenue within one year from the end of the respective reporting period. We had contract liabilities of RMB26.6 million, RMB32.0 million, RMB106.9 million and RMB134.2 million, respectively, as of December 31, 2019, 2020 and 2021 and March 31, 2022. Our recognition of contract liabilities as revenue is subject to future performance obligations and may not be representative of revenues for future periods. The continued operation of our production sites and our production safety may be substantially interrupted and materially and adversely affected due to a number of factors, many of which are outside of our control. See “Risk Factors – We may be subject to risks associated with EV batteries and we may not have adequate insurance to cover against such claims. At the same time, we may not be able to obtain/purchase adequate insurance for losses and liabilities arising from various operational risks and hazards to which we are exposed.” As a result of disruption to any of our production sites or any problems in manufacturing our products, we may fail to fulfill contract obligations or meet market demand for our products, and our results of operations, liquidity and financial position could be adversely affected.

RISK FACTORS

Share-based payments may cause shareholding dilution to our existing Shareholders and have a material and adverse effect on our financial performance.

We adopted share incentive schemes for the benefit of our employees as remuneration for their services provided to us and to incentivize and reward the eligible persons who have contributed to the success of our Company. For details, see “Statutory and General Information – 5. Share Incentive Schemes” in Appendix VI to this prospectus. We also issue equity-settled share-based payments to certain Directors and employees. For the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, we incurred equity-settled share-based payments of RMB8.6 million, RMB20.4 million, RMB29.3 million, RMB7.2 million and RMB10.0 million respectively. To further incentivize our employees, we may pay additional share-based payments in the future. Issuance of Shares with respect to such share-based payments may dilute the shareholding percentage of our existing Shareholders. Expenses incurred with respect to such share-based payments may also increase our operating expenses and therefore have a material and adverse effect on our financial performance.

We control one of our subsidiaries, Hefei Company, but pursuant to relevant shareholding structure, we must share majority of Hefei Company’s profits with other shareholder.

We established Hefei Company in Hefei City, Anhui Province, the PRC as a limited liability company on September 25, 2021 with a registered capital of RMB5.0 billion. Upon its establishment and up to the Latest Practicable Date, Hefei Company was held as to 20% and 80% by our Company and Hefei Beicheng Investment, respectively. Pursuant to the voting rights entrustment agreement and concerted action agreement entered into between our Company and the Hefei Beicheng Investment on September 25, 2021, and director nomination rights, we have more than 50% of the voting rights in Hefei Company and controls the board of directors of Hefei Company. While we control Hefei Company, according to the shareholding structure, we are entitled to 20% of the economic profit derived from Hefei Company and our other shareholder is entitled to the remaining profit.

We may face influence during the decision-making process at the level of jointly established entities from our collaboration partners, which include with investment platform of relevant local governments.

During the Track Record Period and up to the Latest Practicable Date, we jointly established entities with counterparties including the investment platform of relevant local governments. Please see “History – Subsidiaries of Our Company” for further details. Such collaborations were mutually beneficial to both the Group and the local government, which facilitate the development of local economy and industry as well as the expansion of the Group into the local area. As with all jointly established entities, we may have to discuss and collaborate with relevant partners in the decision-making process. There is no assurance that we can always reach an agreement in a timely manner, and as our partners include investment platform of relevant local governments, we cannot guarantee that we could be free from any influence or pressure from public entities or governmental bodies during the board decision-making process at the level of the jointly established entities.

RISK FACTORS

RISKS RELATING TO DOING BUSINESS IN THE PRC

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

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

Adverse developments in the PRC's economy or an economic slowdown in the PRC may reduce the demand for our products and services and have a material adverse effect on our business, financial condition, results of operations and prospects.

We conduct our business and generate substantially all of our revenue in the PRC. As a result, economic developments in the PRC have a significant effect on our business, financial condition and results of operations, as well as our prospects. In recent years, the PRC has been one of the world's fastest growing economies in terms of GDP growth. However, the COVID-19 outbreak has caused disruption to the global economy. The global economy may continue to deteriorate in the future and continue to have an adverse impact on the PRC's economy. Any significant slowdown in the PRC's economy could have a material adverse effect on our business and operations. In particular:

- during a period of economic slowdown, there is a greater likelihood that more of our customers or contractual parties could become delinquent in respect of their obligations to us;
- we may not be able to raise additional capital on favorable terms, or at all; or
- trade and capital flows may further contract as a result of protectionist measures introduced in certain markets, which could cause a further slowdown in economies and materially and adversely affect our business and prospects.

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

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

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

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

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

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

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

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tax on gains derived upon the sale or other disposition of H Shares will be collected from non-PRC resident enterprise holders of H Shares. If such tax is collected in the future, the value of such non-PRC resident enterprise holders' investments in H Shares may be materially and adversely affected.

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

Pursuant to the EIT Law, a high and new-technology enterprise may enjoy a preferential enterprise income tax rate of 15%. Our Company and Jiangsu Research Institute, our wholly owned subsidiary received approval by competent government authorities, and had obtained high and new-technology certificates with the validity period of three years on November 30, 2021 and December 15, 2021, respectively.

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

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

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

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

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Our Articles of Association provide that dispute between holders of our H Shares and us, our Directors, Supervisors or senior management, arising out of our Articles of Association, PRC Company Law and related regulations concerning our business and activities, are to be resolved through arbitration by the China International Economic and Trade Arbitration Commission or the Hong Kong International Arbitration Centre. Awards made by the PRC arbitral authorities recognized under the Hong Kong Arbitration Ordinance can be enforced in Hong Kong. Hong Kong arbitral awards are also enforceable in the PRC, subject to the satisfaction of certain PRC legal requirements. However, we are uncertain whether any action brought in the PRC to enforce an arbitral award made in favor of holders of H Shares would succeed.

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

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

The enforcement of Chinese labor contract law, social insurance law and other labor related regulations may materially affect our business, financial condition and results of operations.

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

RISK FACTORS

hours limitations as stipulated in the Labor Law of the PRC, it may subject us to a fine that ranges from RMB100 to RMB500 per person from local government authorities and we may be requested to take rectification measures to reduce the overtime working hours of our production employees.

On October 28, 2010, the Standing Committee of the National People's Congress promulgated the Social Insurance Law of the PRC, which became effective on July 1, 2011 and was recently amended and effective on December 29, 2018. According to the Social Insurance Law, employees must participate in pension insurance, work-related injury insurance, medical insurance, unemployment insurance and maternity insurance and the employers must, together with their employees or separately, pay the social insurance premiums for such employees.

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

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

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

In addition, our manufacturing process produces pollutants such as wastewater, wastegas. The discharge of wastewater and other pollutants from our manufacturing operations into the environment may give rise to liabilities that may require us to incur costs to remedy such discharge. We cannot assure you that all situations that will give rise to material environmental liabilities will be discovered or any environmental laws adopted in the future will not materially increase our operating costs and other expense. Should the PRC impose stricter environmental protection standards and regulations in the future, we cannot assure you that we will be able to comply with such new regulations at reasonable costs, or at all. Any increase in production costs resulting from the implementation of additional environmental protection measures and/or failure to comply with new environmental laws or regulations may have a material adverse effect on our business, financial condition or results of operations.

RISK FACTORS

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

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

RISKS RELATING TO THE GLOBAL OFFERING

An active trading market for our H Shares may not develop.

Prior to the Global Offering, there was no public market for our H Shares. We cannot assure you that a public market for our H Shares with adequate liquidity will develop and be sustained following the completion of Global Offering. In addition, the Offer Price of our H Shares is expected to be fixed by agreement between the Joint Global Coordinators and the Overall Coordinators (on behalf of the Underwriters, as applicable) and us and may not be indicative of the market price of our H Shares following the completion of the Global Offering. If an active public market for our H Shares does not develop following the completion of the Global Offering, the market price and liquidity of our H Shares could be materially and adversely affected.

The market price and trading volume of our H Shares may be volatile, which could result in substantial losses for investors who purchase our H Shares in the Global Offering.

The market price and trading volume of our H Shares may be highly volatile. Several factors, some of which are beyond our control, such as variations in our revenue, earnings and cash flow, changes in our pricing policy for products or services as a result of competition, the emergence of new technologies, strategic alliances or acquisitions, the addition or departure of key personnel, changes in ratings by financial analysts and credit rating agencies, litigation, the removal of the restrictions on H share transactions or volatility in market prices and changes in the demand for our products, could cause large and sudden changes to the market price and trading volume at which our H Shares will trade. Further, derivative transactions that may be entered into by investors in our H Shares (including cornerstone investors during their lock-up period to the extent that such transactions are not in violation of the lock-up restrictions) for hedging purposes, even if these transactions are settled only in cash, could still result in significant price and trading volume volatility of our H Shares. In addition, the stabilization activities to be carried out by the Stabilizing Manager may be curtailed by certain limitations in the over-allocations in the International Offering, which may affect the market price and trading volume of our H Shares as well. Please see “Structure of the Global Offering – Stabilization”. Besides, the Stock Exchange and other securities markets have, from time to time, experienced significant price and trading volume volatility that are not related to the operating performance of any particular company. This volatility may also materially and adversely affect the market price of our H Shares.

RISK FACTORS

Since there will be a gap of several days between the closing of application lists and the trading of the Offer Shares, holders of the Offer Shares are subject to the risk that the price of the Offer Shares could fall during the period before the trading of the Offer Shares begins.

Our H Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be several Hong Kong business days after the closing of application lists. As a result, investors may not be able to sell or deal in our H Shares during that period. Accordingly, holders of our H Shares are subject to the risk that the price of our H Shares could fall before trading begins as a result of unfavorable market conditions, or other adverse effects, that could occur between the time of the closing of application lists and the time trading begins.

A future significant increase or perceived significant increase in the supply of our H Shares in public markets could cause the market price of our H Shares to decrease significantly, and/or dilute shareholdings of holders of H Shares.

The market price of our H Shares could decline as a result of future sales of a substantial number of our H Shares or other securities relating to our H Shares in the public market, or the issuance of new shares or other securities, or the perception that such sales or issuances may occur. Future sales, or anticipated sales, of substantial amounts of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital at a specific time and on terms favorable to us. In addition, our Shareholders may experience dilution in their holdings if we issue more securities in the future. New shares or shares-linked securities issued by us may also confer rights and privileges that take priority over those conferred by the H Shares.

Our Domestic Shares can be converted into H Shares if the conversion and trading of the H Shares is duly completed pursuant to the requisite approval process and the approval from the relevant PRC regulatory authorities, including the CSRC, is obtained. In addition, such conversion and trading must, in all aspects, comply with the regulations promulgated by the securities regulatory authority under the State Council and the regulations, requirements and procedures of the Stock Exchange. If a significant number of Domestic Shares are converted into H Shares, the supply of H Shares may be substantially increased, which could have a material and adverse effect on the prevailing market price for our H Shares.

In addition, while investors subscribing shares in the Global Offering are not subject to any restrictions on the disposal of the H Shares, they may have existing arrangements or agreement to dispose part or all of the H Shares they hold immediately or within certain period upon completion of the Global Offering for legal and regulatory, business and market, or other reasons. Such disposal may occur within a short period or any time or period after the Listing Date.

Any sale of the H Shares subscribed by such investors pursuant to such arrangement or agreement could adversely affect the market price of our H Shares and any sizeable sale could have a material and adverse effect on the market price of our H Shares and could cause substantial volatility in the trading volume of our H Shares.

RISK FACTORS

As the Offer Price of our H Shares is higher than our consolidated net tangible assets book value per share, purchasers of our H Shares in the Global Offering may experience immediate dilution upon such purchases.

Based on the Offer Price range, the Offer Price is expected to be higher than the net tangible book value per H Share prior to the Global Offering. Therefore, you will experience an immediate dilution in pro forma net tangible book value per H Share. Our existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per share of their shares. In addition, holders of our H Shares may experience further dilution of their interest if the Underwriters exercise the Over-allotment Option or if we issue additional shares in the future to raise additional capital.

If the Company were to be added to the list of Non-Sanctioned Chinese Military Industrial Companies, U.S. persons that hold the Company's H Shares would be prohibited from selling such shares after the end of period of 365 days following the addition of the Company to such list to comply with Executive Order 14032.

During the Track Record Period, we entered into transactions for the purchase and sale of products with certain companies that are named on the list of Non-Sanctioned Chinese Military Industrial Companies published by the U.S. Department of the Treasury's Office of Foreign Assets Control (the "NS-CMIC List"). These transactions accounted for less than 5% of our revenues and our expenses in each of three years ended December 31, 2021 and the three months ended March 31, 2022. As advised by our international sanctions legal advisor, these transactions did not violate any international sanctions rules or regulations. Accordingly, we expect that our purchase and sale transactions with companies on the NS-CMIC List will continue at comparable levels in future.

Under U.S. Presidential Executive Order 14032, U.S. persons are prohibited from engaging in the purchase or sale of any publicly traded securities of a company on the NS-CMIC List as of 60 days after a company is listed on the NS-CMIC List, with the exception of divestments of such securities which are permitted for 365 days following a company being added to the NS-CMIC List.

In the event that the Company were to be added to the NS-CMIC List, any U.S. persons that hold our H Shares would be prohibited from selling those shares after the end of a one-year period following the addition of the Company to such list to assure such U.S. persons' compliance with Executive Order 14032. Such sales of our H Shares by U.S. persons during the 365-day period, if they were substantial, could cause the market price and trading volume of our H Shares to be volatile or possibly cause the market price of our H Shares to decline.

RISK FACTORS

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

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

We may not distribute dividends.

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

Furthermore, future dividend policies will also depend on various factors, including but not limited to our results of operations, cash flows and financial conditions, capital adequacy ratio, operation and capital expenditure requirement and other factors that our Board consider relevant. We cannot assure you that our dividend policies will not be changed in the future.

RISK FACTORS

Certain facts and statistics derived from government and third-party sources contained in this prospectus may not be reliable.

We have derived certain facts and other statistics in this prospectus, particularly those relating to the PRC, the PRC economy and the PRC securities industry, from information provided by the PRC and other government agencies, industry associations, independent research institutes and other third-party sources. While we have taken reasonable care in the reproduction of the information, it has not been prepared or independently verified by us, the Sole Sponsor, the Joint Global Coordinators, the Overall Coordinators the underwriters or any of our or their respective affiliates or advisors and, therefore, we cannot assure you as to the accuracy and reliability of such facts and statistics, which may not be consistent with other information compiled inside or outside the PRC. The facts and other statistics include the facts and statistics included in the sections headed “Risk Factors,” “Business” and “Financial Information”. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable with statistics produced for other economies, and you should not place undue reliance on them. Furthermore, we cannot assure you that they are stated or compiled on the same basis, or with the same degree of accuracy, as similar statistics presented elsewhere. In all cases, you should consider carefully how much weight or importance you should attach to or place on such facts or statistics.

You should read the entire prospectus carefully, and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding ourselves and the Global Offering.

Prior to the publication of this prospectus, there had been press and media coverage regarding us and the Global Offering, which contained, among other things, certain financial information, projections, valuations and other forward-looking information about us and the Global Offering. We have not authorized the disclosure of any such information in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this prospectus, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus for which our Directors (including any proposed Director who is named as such in this prospectus) collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purposes of giving information to the public with regard to us. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or in this prospectus misleading.

CSRC APPROVAL

The CSRC has given us its approval for the listing of our H Shares on the Stock Exchange and the Global Offering on July 28, 2022. In granting this approval, the CSRC does not accept responsibility for the financial soundness of our Company, or for the accuracy of any of the statements made or opinions expressed in this prospectus and the **GREEN** Application Form.

THE HONG KONG PUBLIC OFFERING AND THIS PROSPECTUS

This prospectus is published solely in connection with the Hong Kong Public Offering which forms part of the Global Offering. Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus or that the information in it is correct as of any subsequent time.

UNDERWRITING

For applicants under the Hong Kong Public Offering, this prospectus and the **GREEN** Application Form set forth the terms and conditions of the Hong Kong Public Offering. The Listing is sponsored by the Sole Sponsor. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to agreement on the Offer Price between our Company and the Overall Coordinators (on behalf of the Underwriters, as applicable) and Joint Global Coordinators. The International Offering is expected to be fully underwritten by the International Underwriters.

For further information about the Underwriters and the underwriting arrangements, please see “Underwriting” section of this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined by the Overall Coordinators (on behalf of the Underwriters, as applicable) and the Joint Global Coordinators and us on or around Wednesday, September 28, 2022, and in any event no later than Thursday, September 29, 2022.

If, for any reason, the Overall Coordinators (on behalf of the Underwriters, as applicable), the Joint Global Coordinators and us are unable to reach an agreement on the Offer Price on or before Thursday, September 29, 2022, or such later date or time as may be agreed between the Overall Coordinators (on behalf of the Underwriters) and us, the Global Offering will not become unconditional and will lapse.

RESTRICTIONS ON OFFERS AND SALES OF THE OFFER SHARES

We offer the Hong Kong Offer Shares solely on the basis of the information contained and representations made in this prospectus and the related **GREEN** Application Form and on the terms and subject to the conditions contained in this prospectus and the **GREEN** Application Form.

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his acquisition of Offer Shares to, confirm that he is aware of the restrictions on the offers of the Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offer and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING OF THE H SHARES ON THE STOCK EXCHANGE

Our Company has applied to the Listing Committee for the granting of the listing of, and permission to deal in, the H Shares in issue and to be issued pursuant to the Global Offering (including the additional H Shares which may be issued pursuant to the exercise of the Over-allotment Option). No part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, if the permission for the H Shares to be listed on the Stock Exchange pursuant to this prospectus has been refused before the expiration of three weeks from the date of the closing of the application lists or such longer period not exceeding six weeks as may, within the said three weeks, be notified to us by or on behalf of the Stock Exchange, then any allotment made on an application in pursuance of this prospectus shall, whenever made, be void.

Dealings in the H Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Thursday, October 6, 2022. Save as disclosed in this prospectus, none of our share or loan capital are listed or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

OVER-ALLOTMENT OPTION AND STABILIZATION

Details of the arrangements in relation to the Over-allotment Option and stabilization are set out in the section headed “Structure of the Global Offering” in this prospectus.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

We have instructed the H Share Registrar, and the H Share Registrar has agreed, not to register the subscription, purchase or transfer of any H Shares in the name of any particular holder unless the holder delivers a signed form to the H Share Registrar in respect of those H Shares bearing statements to the effect that the holder:

- (i) agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the PRC Company Law, the Special Regulations and our Articles of Association;
- (ii) agrees with us, each of our Shareholders, Directors, Supervisors, managers and officers, and we, acting for ourselves and for each of our Directors, Supervisors, managers and officers, agree with each Shareholder, to refer all differences and claims arising from our Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning our affairs to arbitration in accordance with our Articles of Association, and any reference to arbitration shall be deemed to authorise the arbitration tribunal to conduct hearings in open session and to publish its award, which shall be final and conclusive;
- (iii) agrees with us and each of our Shareholders that our H Shares are freely transferable by the holders of our H Shares; and

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

- (iv) authorizes us to enter into a contract on his or her behalf with each of our Directors, Supervisors, managers and officers whereby such Directors, Supervisors, managers and officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles of Association.

INFORMATION ON THE GLOBAL OFFERING

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the **GREEN** Application Form and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Joint Global Coordinators, Overall Coordinators, Joint Bookrunners and Joint Lead Managers, the Underwriters, or any of their respective directors, agents, employees or advisors or any other party involved in the Global Offering. For further details of the structure of the Global Offering, including its conditions, and the procedures for applying for Hong Kong Offer Shares, please see “Structure of the Global Offering” and “How to Apply for Hong Kong Offer Shares” of this prospectus and the relevant **GREEN** Application Form.

H SHARE REGISTER AND STAMP DUTY

All of the H Shares issued pursuant to applications made in the Global Offering will be registered on our H Share register of members to be maintained in Hong Kong by our H Share Registrar. Our principal register of members will be maintained by us at our head office in China.

Dealings in the H Shares registered in our H Share register of members will be subject to the Hong Kong stamp duty.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, our H Shares on the Stock Exchange and our Company’s compliance with the stock admission requirements of HKSCC, our H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS operational procedures in effect from time to time.

All necessary arrangements have been made for our H Shares to be admitted into CCASS.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding and dealing in the H Shares. None of our Company, the Sole Sponsor, the Joint Global Coordinators, the Overall Coordinators, Joint Bookrunners and Joint Lead Managers, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchasing, holding, disposing of, or dealing in our H Shares or the exercise of any rights attaching to our H Shares.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedure for applying for Hong Kong Offer Shares is set out in section headed “How to Apply for Hong Kong Offer Shares” of this prospectus and in the relevant **GREEN** Application Form.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in section headed “Structure of the Global Offering” of this prospectus.

DIVIDEND PAYABLE TO THE HOLDERS OF H SHARES

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of H Shares will be paid to our Shareholders as recorded in our H Share register, and sent by ordinary post, at our Shareholders’ own risk, to the registered address of each Shareholder.

LANGUAGE

If there is any inconsistency between the English version of this prospectus and the Chinese translation of this prospectus, the English version of this prospectus should prevail. If there is any inconsistency between the Chinese names of the PRC nationals, entities, departments, facilities, certificates, titles, laws, regulations and the like mentioned in this prospectus and their English translations, the Chinese names shall prevail.

ROUNDING

In this prospectus, where information is presented in hundreds, thousands, ten thousands, millions, hundred millions or billions, certain amounts of less than one hundred, one thousand, ten thousand, one million, a hundred million or a billion, as the case may be, have been rounded to the nearest hundred, thousand, ten thousand, million, hundred million or billion, respectively. Unless otherwise stated, all the numerical figures are rounded to one decimal place. Any discrepancies in any table or chart between totals and sums of amounts listed therein are due to rounding.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain Renminbi amounts into Hong Kong dollars at specified rates. No representation is made that the Renminbi amounts could actually be converted into any Hong Kong dollar amounts at the rates indicated or at all. Unless we indicate otherwise, the (i) translation of Renminbi into Hong Kong dollars was made at the rate of RMB1.00 to HK\$1.13; and (ii) translation of U.S. dollars into Hong Kong dollars was made at the rate of US\$1.00 to HK\$7.85.

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Name	Residential address	Nationality
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DIRECTORS**Executive Directors**

Ms. Liu Jingyu (劉靜瑜女士)	Room 901, Unit A, Block 9, Yihe Shijia Danyangmen South Road, Jintan District Changzhou City, Jiangsu Province PRC	Chinese
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Mr. Dai Ying (戴穎先生)	Room 802, Gate 1, Block 301 Yikangyuan North District Baibuting Garden, Jiang'an District Wuhan City, Hubei Province PRC	Chinese
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Non-executive Directors

Mr. Zhou Sheng (周勝先生)	Room 601, Unit A Block 19, Zone II, Jinjun Garden 8 Hechang Road, Jintan District Changzhou City, Jiangsu Province PRC	Chinese
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Mr. Zhang Guoqing (張國慶先生)	Room 603 Block 1 City Garden, Jincheng Town Jintan City, Jiangsu Province PRC	Chinese
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Mr. Li Yunxiang (李雲祥先生)	Room 1901, No. 46 Exhibition North Lane, Siming District Xiamen City, Fujian Province PRC	Chinese
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DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Name	Residential address	Nationality
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Independent Non-executive Directors

Mr. Wu Guangquan (吳光權先生)	Room 2704, West Door No. 175 Zhenhua Road Futian District Shenzhen City, Guangdong Province PRC	Chinese
Mr. Wang Susheng (王蘇生先生)	Room 202, Block 13 Meilin 2nd Village, Futian District Shenzhen City, Guangdong Province PRC	Chinese
Mr. Chen Zetong (陳澤桐先生)	Flat D, 17/F, Tower 3 North Court 1 Mei Tin Road Festival City, Phase 3 Tai Wai Sha Tin New Territories, Hong Kong	Chinese

SUPERVISORS

Mr. Jiang Jinhua (姜金華先生)	Room 704, Unit B Block 3, Wuyuehua Garden Jintan City, Jiangsu Province PRC	Chinese
Ms. Cheng Yan (程雁女士)	No. 6, Unit 2, Block 2 No. 55 Huanhua Binhe Road, Qingyang District Chengdu City, Sichuan Province PRC	Chinese
Ms. Nian Mingzhu (念明珠女士)	No. 45 Dongyuemei Dongxing Village, Aoqian Town Pingtan County, Fujian Province PRC	Chinese

Please see “Directors, Supervisors and Senior Management” of this prospectus for further information of our Directors and Supervisors.

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor and Sponsor – OC

Huatai Financial Holdings (Hong Kong)
Limited
62/F
The Center
99 Queen's Road Central
Hong Kong

Overall Coordinators

Huatai Financial Holdings (Hong Kong)
Limited
62/F
The Center
99 Queen's Road Central
Hong Kong

J.P. Morgan Securities
(Asia Pacific) Limited
28/F
Chater House
8 Connaught Road Central
Hong Kong

Joint Global Coordinators

Huatai Financial Holdings (Hong Kong)
Limited
62/F
The Center
99 Queen's Road Central
Hong Kong

J.P. Morgan Securities
(Asia Pacific) Limited
28/F
Chater House
8 Connaught Road Central
Hong Kong

Citigroup Global Markets Asia Limited
50/F, Champion Tower
Three Garden Road
Central
Hong Kong

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

**Joint Bookrunners and
Joint Lead Managers**

Huatai Financial Holdings (Hong Kong)
Limited
62/F
The Center
99 Queen's Road Central
Hong Kong

J.P. Morgan Securities
(Asia Pacific) Limited
*(in relation to Hong Kong
Public Offering)*
28/F
Chater House
8 Connaught Road
Central
Hong Kong

J.P. Morgan Securities plc
*(in relation to International
Offering)*
25 Bank Street
Canary Wharf
London E14 5JP
United Kingdom

Citigroup Global Markets Asia Limited
(in relation to Hong Kong Public Offering)
50/F, Champion Tower
Three Garden Road
Central
Hong Kong

Citigroup Global Markets Limited
(in relation to International Offering)
33 Canada Square, Canary Wharf
London E14 5LB
United Kingdom

Credit Suisse (Hong Kong) Limited
88/F, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Co-lead Manager

Futu Securities International (Hong Kong)
Limited
Unit C1-2 13/F, United Centre
No. 95 Queensway
Admiralty
Hong Kong

Capital Market Intermediaries

Huatai Financial Holdings (Hong Kong)
Limited
62/F
The Center
99 Queen's Road Central
Hong Kong

J.P. Morgan Securities (Asia Pacific)
Limited
28/F, Chater House
8 Connaught Road Central
Hong Kong

Citigroup Global Markets Asia Limited
50/F, Champion Tower
Three Garden Road
Central
Hong Kong

Credit Suisse (Hong Kong) Limited
88/F, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Futu Securities International (Hong Kong)
Limited
Unit C1-2 13/F, United Centre
No. 95 Queensway
Admiralty
Hong Kong

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Legal Advisors to our Company

as to Hong Kong law

Jia Yuan Law Office

17/F

No. 238 Des Voeux Road Central

Sheung Wan

Hong Kong

as to PRC law

Jia Yuan Law Offices

F408, Ocean Plaza

158 Fuxing Men Nei Street

Xicheng District

Beijing

PRC

as to international sanction law

Stephen Peepels, Esq.

Room 604, Sixth Floor

Hollywood Centre

77-91 Queen's Road West

Sheung Wan

Hong Kong

as to PRC intellectual property law

V&T Law Firm

45/F, Landmark, No.

4028 Jintian Road

Futian District

Shenzhen, Guangdong, 518035

PRC

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

**Legal Advisors to the Sole Sponsor
and the Underwriters**

as to Hong Kong law
Clifford Chance
27/F
Jardine House
One Connaught Place
Central
Hong Kong

as to PRC law
Jun He Law Offices
20/F, China Resources Building
8 Jianguomenbei Avenue
Beijing
PRC

as to PRC intellectual property law
Haiwen & Partners
20/F, Fortune Financial Center
5 Dong San Huan Central Road
Chaoyang District
Beijing 100020
PRC

Auditor and Reporting Accountants

RSM Hong Kong
Certified Public Accountants
Registered Public Interest Entity Auditor
29/F, Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong

Compliance Advisor

Maxa Capital Limited
Unit 1908, 19/F
Harbour Center
25 Harbour Road
Wanchai
Hong Kong

Industry Consultant

Frost & Sullivan (Beijing) Inc., Shanghai
Branch Co.
2504 Wheelock Square
1717, Nanjing West Road
Shanghai 200040
PRC

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Receiving Bank

CMB Wing Lung Bank Limited
16 /F
CMB Wing Lung Bank Building
45 Des Voeux Road
Central
Hong Kong

CORPORATE INFORMATION

Registered Office	No. 1 Jiangdong Avenue Jintan District Changzhou City Jiangsu Province PRC
Headquarters and Principal Place of Business in the PRC	No. 1 Jiangdong Avenue Jintan District Changzhou City Jiangsu Province PRC
Principal Place of Business in Hong Kong	40th Floor, Dah Sing Financial Centre No. 248 Queen's Road East, Wanchai Hong Kong
Company's Website	<u>www.calb-tech.com</u> <i>(This website and information contained in this website does not form part of this Prospectus)</i>
Joint Company Secretaries	<p>Mr. Dai Ying (戴穎先生) Room 802 Gate 1, Block 301 Yikangyuan North District Baibuting Garden, Jiang'an District Wuhan City, Hubei Province PRC</p> <p>Mr. Cheung Kai Cheong Willie (張啟昌先生) (FCCA, CPA) 40th Floor, Dah Sing Financial Centre No. 248 Queen's Road East Wanchai Hong Kong</p>

CORPORATE INFORMATION

Authorized Representatives

Mr. Dai Ying (戴穎先生)
Room 802
Gate 1, Block 301
Yikangyuan North District
Baibuting Garden, Jiang'an District
Wuhan City, Hubei Province
PRC

Mr. Cheung Kai Cheong Willie
(張啟昌先生)
(FCCA, CPA)
40th Floor, Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai
Hong Kong

Audit Committee

Mr. Wang Susheng (王蘇生先生) (*Chairman*)
Mr. Wu Guangquan (吳光權先生)
Mr. Chen Zetong (陳澤桐先生)

Remuneration Committee

Mr. Wu Guangquan (吳光權先生) (*Chairman*)
Ms. Liu Jingyu (劉靜瑜女士)
Mr. Chen Zetong (陳澤桐先生)

Nomination Committee

Mr. Chen Zetong (陳澤桐先生) (*Chairman*)
Ms. Liu Jingyu (劉靜瑜女士)
Mr. Wu Guangquan (吳光權先生)

H Share Registrar

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

CORPORATE INFORMATION

Principal banks

**China Merchants Bank Co., Ltd.,
Guangzhou Branch Sales Office**
China Merchants Bank Building
5 Huasui Road, Zhujiang New Town
Tianhe District
Guangzhou City
Guangdong Province
PRC

**China Minsheng Banking Corp., Ltd.,
Jintan Sub-branch**
5 Huayang South Road, Jintan District
Changzhou City
Jiangsu Province
PRC

**Industrial Bank Co., Ltd.,
Jintan Sub-branch**
233-3 Dongmen Avenue, Jintan District
Changzhou City
Jiangsu Province
PRC

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the Listing, our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules.

WAIVERS IN RELATION TO CONTINUING CONNECTED TRANSACTIONS

Our Company has entered into, and is expected to continue, certain transactions which would constitute continuing connected transactions under the Listing Rules upon Listing. Accordingly, our Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the announcement and Shareholders' approval requirements pursuant to Rule 14A.105 of the Listing Rules. For further details of such continuing connected transactions, please see "Connected Transactions" of this Prospectus.

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rules 8.12 and 19A.15 of the Listing Rules, our Company must have sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Given that (i) our Group's principal business and operations are located, managed and conducted in the PRC through its operating subsidiaries established in the PRC; (ii) none of our executive Directors is a Hong Kong permanent resident or is ordinarily based in Hong Kong; and (iii) our executive Directors will continue to be based in the PRC after Listing to manage our business, our Company does not, and will not, in the foreseeable future, have a sufficient management presence in Hong Kong as required under Rules 8.12 and 19A.15 of the Listing Rules. Further, it would be impractical and commercially unnecessary for our Company to appoint additional executive Directors who are ordinarily resident in Hong Kong or to relocate its existing PRC based executive Directors to Hong Kong.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 8.12 and 19A.15 of the Listing Rules, subject to the condition that the following measures and arrangements are made for maintaining regular and effective communication with the Stock Exchange:

- (i) we have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our Company's principal channel of communication with the Stock Exchange. The two authorized representatives of our Company are Mr. Dai Ying (戴穎先生), our executive Director and one of our joint company secretaries and Mr. Cheung Kai Cheong Willie (張啟昌先生), the other joint company secretary, who is an ordinary resident in Hong Kong (the "**Authorized Representatives**"). Each of the Authorized Representatives will be available to meet with the Stock Exchange within a reasonable period of time upon the request of the Stock Exchange and will be readily contactable by telephone and/or email. Each of the Authorized Representatives is authorized to communicate on behalf of our Company with the Stock Exchange;

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (ii) each of the Authorized Representatives has means to contact all members of our Board (including our independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact our Directors for any matters. To enhance the communication between the Stock Exchange, the Authorized Representatives and our Directors, we have provided the Stock Exchange with the respective office phone number, mobile phone number and email address of each Director. In the event that a Director expects to travel or is out of the office, he/she will provide the phone number of the place of his/her accommodation or other means of communication to the Authorized Representatives;
- (iii) our Directors, who are not ordinarily resident in Hong Kong, have confirmed that they possess or can apply for valid travel documents to visit Hong Kong and are able to come to Hong Kong when required, to meet with the Stock Exchange upon reasonable notice;
- (iv) we have, in compliance with Rule 3A.19 of the Listing Rules, appointed Maxa Capital Limited as our compliance advisor (the “**Compliance Advisor**”) who will, among other things, in addition to the Authorized Representatives, act as a channel of communication between the Stock Exchange and our Company for the period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date. The Compliance Advisor will have full access at all times to the Authorized Representatives, our Directors and other officers as prescribed by Rule 19A.05(2) of the Listing Rules, who will act as the additional channel of communication with the Stock Exchange when the Authorized Representative are not available; and
- (v) we have provided the Stock Exchange with the names, mobile phone numbers, office phone numbers and email addresses of at least two officers of the Compliance Advisor who will act as the Compliance Advisor’s contact persons between the Stock Exchange and our Company pursuant to Rule 19A.06(4) of the Listing Rules.

APPOINTMENT OF JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, we must appoint a company secretary who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of our company secretary. Note 1 to Rule 3.28 of the Listing Rules further provides that the Stock Exchange considers the following academic or professional qualifications to be acceptable:

- (a) a member of The Hong Kong Chartered Governance Institute;
- (b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and
- (c) a certified public accountant (as defined in the Professional Accountants Ordinance).

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

Note 2 to Rule 3.28 of the Listing Rules provides that, in assessing “relevant experience”, the Stock Exchange will consider the individual’s:

- (i) length of employment with the issuer and other issuers and the roles he/she played;
- (ii) familiarity with the Listing Rules and other relevant law and regulations including the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) and The Codes on Takeovers and Mergers and Share Buy-backs;
- (iii) relevant training taken and/or to be taken in addition to the minimum requirements under Rule 3.29 of the Listing Rules; and
- (iv) professional qualifications in other jurisdictions.

We have appointed Mr. Dai Ying (戴穎先生) (“**Mr. Dai**”) as one of our joint company secretaries. Mr. Dai has been assisting the chairwoman of our Board in handling board matters and corporate matters for years but presently does not possess any of the qualifications under Rules 3.28 and 8.17 of the Listing Rules. Thus, Mr. Dai may not be able to fulfill the requirements of the Listing Rules. Therefore, we have appointed Mr. Cheung Kai Cheong Willie (張啟昌先生) (“**Mr. Cheung**”), a member of The Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in the United Kingdom, who fully meets the requirements under Rules 3.28 and 8.17 of the Listing Rules, to act as the other joint company secretary. Mr. Cheung will provide assistance to Mr. Dai for an initial period of three years from the Listing Date to enable Mr. Dai to acquire the “relevant experience” under Note 2 to Rule 3.28 of the Listing Rules so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Listing Rules.

Further, both the Compliance Advisor and the Hong Kong legal advisor of our Company will assist Mr. Dai in relation to Hong Kong corporate governance practices and regulatory compliance, ongoing compliance obligations under the Listing Rules and the applicable laws and regulations as and when required. In addition, Mr. Dai will endeavor to attend relevant trainings and familiarize himself with the Listing Rules and duties required of a company secretary of a PRC issuer listed on the Stock Exchange.

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of Rules 3.28 and 8.17 of the Listing Rules. Pursuant to the Guidance Letter HKEX-GL108-20, the waiver has been granted for an initial period of three years from the Listing Date (the “**Waiver Period**”), and has been granted on the conditions that (i) we engage Mr. Cheung, who possesses all the requisite qualifications under Rule 3.28 of the Listing Rules, to assist Mr. Dai in discharging his duties as a joint company secretary and in gaining the “relevant experience” as required under Note 2 to Rule 3.28 of the Listing Rules throughout the Waiver Period; and (ii) the waiver will be revoked immediately if there are material breaches of the Listing Rules by our Company or if Mr. Cheung ceases to provide assistance to Mr. Dai during the Waiver Period.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

Before the expiration of the initial three-year period, the qualifications of Mr. Dai will be re-evaluated to determine whether the requirements as stipulated in Rules 3.28 and 8.17 of the Listing Rules can be satisfied and whether the need for on-going assistance will continue. It is expected that Mr. Dai will be able to fulfill all the requirements stipulated at the end of the initial three-year period.

BUSINESS ACQUIRED AFTER THE TRACK RECORD PERIOD

Pursuant to Rules 4.04(2) and 4.04(4)(a) of the Listing Rules, the accountants' report to be included in a listing document must include the income statements and balance sheet of any business or subsidiary acquired, agreed to be acquired or proposed to be acquired since the date to which the latest audited accounts of the issuer have been made up in respect of each of the three financial years immediately preceding the issue of the listing document.

On June 28, 2022, our Company entered into a cornerstone investment agreement with Tianqi Lithium Corporation (天齊鋰業股份有限公司) ("**Tianqi Lithium**"), a joint stock company established in the PRC and whose shares are listed on the Shenzhen Stock Exchange (stock code: 002466) and the Main Board of the Stock Exchange (stock code: 9696) and among others, pursuant to which our Company agreed to subscribe for 4,739,000 H shares in Tianqi Lithium (representing approximately 0.3% of Tianqi Lithium's total issued share capital upon the completion of its global offering) at the investment amount of approximately US\$49.50 million (the "**Tianqi Lithium Acquisition**").

In light of the Tianqi Lithium Acquisition, under Rules 4.04(2) and 4.04(4)(a) of the Listing Rules, we are required to present in this prospectus the financial information of Tianqi Lithium during the Track Record Period.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rules 4.04(2) and 4.04(4)(a) of the Listing Rules on the following basis:

(i) The requested waiver would not prejudice the interests of the investing public

- (a) the total number of shares of Tianqi Lithium that we acquired after the Track Record Period only represented approximately 0.3% of the issued share capital of Tianqi Lithium and all applicable size test percentage ratios under Rule 14.04(9) of the Listing Rules are less than 5%;
- (b) based on the equity acquisition nature of Tianqi Lithium Acquisition, we are not able to exercise control over Tianqi Lithium at board or shareholders' level;
- (c) the equity interest of Tianqi Lithium acquired pursuant to Tianqi Lithium Acquisition will only be accounted for as financial assets, and the financials of Tianqi Lithium will not be consolidated into the financials of our Company; and

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (d) Tianqi Lithium Acquisition will not result in any significant change to our Company's financial position since March 31, 2022 and all information that is reasonably necessary for the potential investors to make an informed assessment of the activities of our Company's financial position will be included in this prospectus. As such, our Company considers a waiver from compliance with Rules 4.04(2) and 4.04(4)(a) of the Listing Rules would not prejudice the interests of the investing public.

(ii) It would be impracticable and unduly burdensome to our Company

Apart from what is available in the public domain, our Company has no access to the books and records of Tianqi Lithium for conducting an audit given that we will not, as a result of or immediately following Tianqi Lithium Acquisition, have any control over Tianqi Lithium, nor will we have any representative on or control over its boards of directors, or be in a position to consolidate the financials of Tianqi Lithium.

As we will not have sufficient information to prepare the historical financial information of Tianqi Lithium, it would be impracticable and unduly burdensome for us to prepare the information required under Rules 4.04(2) and 4.04(4)(a) of the Listing Rules for inclusion in this prospectus.

(iii) Alternative information has been provided in this Prospectus

We have provided in this prospectus alternative information in connection with Tianqi Lithium Acquisition that would be required for a discloseable transaction under Chapter 14 of the Listing Rules in order to compensate for the non-inclusion of historical financial information of Tianqi Lithium. See "History, Development and Corporate Structure – Post-Track Record Period Acquisition" in this prospectus for more details.

WAIVER FROM STRICT COMPLIANCE WITH RULE 10.04 OF THE LISTING RULES AND WRITTEN CONSENT UNDER PARAGRAPH 5(2) OF APPENDIX 6 TO THE LISTING RULES IN RELATION TO ALLOCATION TO EXISTING MINORITY SHAREHOLDER(S) AND/OR THEIR CLOSE ASSOCIATES

Rule 10.04 of the Listing Rules provides that a person who is an existing shareholder of the issuer may only subscribe for or purchase any securities for which listing is sought which are being marketed by or on behalf of a new applicant either in his or its own name or through nominees if the conditions in Rules 10.03(1) and (2) of the Listing Rules are fulfilled.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

The conditions in Rules 10.03(1) and (2) of the Listing Rules are as follows: (i) no securities are offered to the existing shareholders on a preferential basis and no preferential treatment is given to them in the allocation of the securities; and (ii) the minimum prescribed percentage of public shareholders required by Rule 8.08(1) of the Listing Rules is achieved.

Paragraph 5(2) of Appendix 6 to the Listing Rules provides that, unless with the prior written consent of the Stock Exchange, no allocations will be permitted to directors or existing shareholders of the applicant or their close associates, whether in their own names or through nominees unless the conditions set out in Rules 10.03 and 10.04 of the Listing Rules are fulfilled.

Han's Laser Technology Co., Limited ("**Han's Laser Technology**"), being the close associate of Hanshi Precision, which is an existing minority shareholder of our Company, will participate in the Global Offering as a cornerstone investor (the "**Existing Minority Shareholder**").

We have applied to the Stock Exchange for a waiver from strict compliance with Rule 10.04 of the Listing Rules and sought a written consent from the Stock Exchange under paragraph 5(2) of Appendix 6 to the Listing Rules, and the Stock Exchange has granted us such waiver and consent to permit Han's Laser Technology to be allocated Offer Shares in the Global Offering as a cornerstone investor on the following grounds which are consistent with the conditions as set out in the Stock Exchange Guidance Letter 85-16:

- (a) **Less than 5%:** The Existing Minority Shareholder must hold less than 5% of our Company's voting rights prior to the completion of the Global Offering.
- (b) **Not core connected persons:** The Existing Minority Shareholder is not, and will not be, a core connected person of our Company or any close associate of any such core connected person immediately prior to or following the completion of the Global Offering.
- (c) **No right to appoint Directors:** The Existing Minority Shareholder has no right to appoint Directors (which, for the avoidance of doubt, does not include the director nomination right of a Shareholder under the Articles of Association) and do not have other special rights upon the Listing.
- (d) **No impact on public float:** The Existing Minority Shareholders and its close associates would be part of the public. Thus, allocation to the Existing Minority Shareholder and/or its close associates will not affect our Company's ability to satisfy the public float requirement under Rule 8.08 of the Listing Rules.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (e) the Sole Sponsor (based on its discussions with the Company and the Overall Coordinators, and the confirmation from the Company in paragraph (f) below, and to its best knowledge and belief) confirms to the Stock Exchange in writing that it has no reason to believe that the Existing Minority Shareholder or its close associate received any preferential treatment in the allocation as a cornerstone investor by virtue of their relationship with the Company other than the preferential treatment of assured entitlement under a cornerstone investment agreement following the principles set out in Stock Exchange Guidance Letter HKEX-GL51-13 (“**GL51-13**”) and details of allocation will be disclosed in this prospectus and/or the allotment results announcement.
- (f) our Company confirms to the Stock Exchange in writing that (a) no preferential treatment has been, or will be, given to the Existing Minority Shareholder or its close associates by virtue of their relationship with our Company other than the preferential treatment of assured entitlement under a cornerstone investment agreement following the principles set out in GL51-13; and (b) the cornerstone investment agreement entered into between our Company and the Existing Minority Shareholder or its close associate does not contain any material terms which are more favorable to the Existing Minority Shareholder or its close associate than those in other cornerstone investment agreements.
- (g) **Disclosure:** The relevant information in respect of the allocation to such Existing Minority Shareholder and/or its close associates will be disclosed in this prospectus and/or the allotment results announcement.

WAIVER IN RESPECT OF THE PUBLIC FLOAT REQUIREMENT

Rule 8.08(1)(a) and Rule 8.08(1)(b) of the Hong Kong Listing Rules requires that there shall be an open market for the securities for which listing is sought, and that a sufficient public float of an issuer’s listed securities shall be maintained. It normally means that (i) at least 25% of the issuer’s total issued share capital must at all times be held by the public and (ii) where an issuer has more than one class of securities apart from the class of securities for which listing is sought, the total securities of the issuer held by the public (on all regulated market(s) including the Stock Exchange) at the time of listing must be at least 25% of the issuer’s total issued share capital. However, the class of securities for which listing is sought must not be less than 15% of the issuer’s total issued share capital, and must have an expected market capitalization at the time of listing of not less than HK\$125,000,000.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

We have applied to the Hong Kong Stock Exchange, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the requirements of Rule 8.08(1)(a) of the Hong Kong Listing Rules. Therefore, the minimum public float of the Company shall be the highest of:

- a. 13.08% of the total issued share capital of the Company; or
- b. such percentage of the total issued share capital of the Company to be held by the public immediately after the completion of the Global Offering as increased by the exercise of the Over-allotment Option (if any).

In order to support the application of this waiver, our Company has confirmed to the Hong Kong Stock Exchange that:

- a. the Company will have an expected market capitalization at the time of Listing of far over HK\$10 billion;
- b. there will be an open market in the H Shares and the quantity and scale of the issued securities would enable the market to operate properly with a lower percentage of public float;
- c. we will make appropriate disclosure of the lower prescribed percentage of the public float, in the prospectus; and
- d. we will confirm sufficiency of our public float in its successive annual reports after the proposed listing.

WAIVER IN RELATION TO CLAWBACK MECHANISM UNDER PARAGRAPH 4.2 OF PRACTICE NOTE 18 OF THE HONG KONG LISTING RULES

Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place, which would have the effect of increasing the number of Hong Kong Public Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering if certain prescribed total demand levels are reached. We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted to us, a waiver from strict compliance with paragraph 4.2 of Practice Note 18 of the Listing Rules such that, provided the initial allocation of H Shares under the Hong Kong Public Offering shall not be less than 5% of the Global Offering, in the event of over-subscription, the Joint Global Coordinators and the Overall Coordinators, after consultation with us, shall apply a clawback mechanism following the closing of the application lists on the following basis:

- if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times of the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

Offering from the International Offering will be increased, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 19,938,400 H Shares, representing approximately 7.5% of the Offer Shares initially available under the Global Offering;

- if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times of the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 26,584,600 H Shares, representing approximately 10.0% of the Offer Shares initially available under the Global Offering; and
- if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more of the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 53,169,100 H Shares, representing approximately 20.0% of the Offer Shares initially available under the Global Offering.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between Pool A and Pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Sole Representative deems appropriate. In addition, the Sole Representative may allocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed, the Sole Representative has the authority to reallocate all or any unsubscribed Hong Kong Public Offer Shares to the International Offering, in such proportions as the Sole Representative deems appropriate. See “Structure of the Global Offering – The Hong Kong Public Offering – Reallocation.”

CORNERSTONE INVESTMENT BY CORE CONNECTED PERSONS

Pursuant to Rule 9.09(b) of the Listing Rules, there must be no dealing in the securities for which listing is sought by any core connected person of the listing applicant from four clear business days before the expected hearing date until listing is granted.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

Hefei Beicheng Construction Investment (Group) Company Ltd.* (合肥北城建設投資(集團)有限公司) (“**Hefei Beicheng**”), an associate of a substantial shareholder of Hefei Company, Jiangmen New Energy, a substantial shareholder of Jiangmen Company, are two of the cornerstone investors of the Company. As such, each of Hefei Beicheng and Jiangmen New Energy is a core connected person and a connected person at the subsidiary level (as defined under Chapter 14A of the Listing Rules).

The terms of the cornerstone investment by Hefei Beicheng and Jiangmen New Energy are substantially the same as or no more favourable than those of other cornerstone investors, and save for a preferential treatment of assured entitlement to take up the Shares in the International Offering at the Offer Price as a cornerstone investor, no preferential treatment (whether direct or indirect benefits) have been given to Hefei Beicheng and Jiangmen New Energy.

Notwithstanding the cornerstone investments by Hefei Beicheng and Jiangmen New Energy, Hefei Beicheng and Jiangmen New Energy will not become a substantial shareholder of the Company (at the issuer level) and will remain a core connected person and a connected person at subsidiary level upon the Listing. The H Shares to be held by each of Hefei Beicheng and Jiangmen New Energy will not be counted as part of the public float of our Company for the purpose of Rule 8.08(1)(a) of the Listing Rules.

Our Company has applied to the Stock Exchange, and the Stock Exchange has granted, a waiver from strict compliance with Rule 9.09(b) of the Listing Rules so that Hefei Beicheng and Jiangmen New Energy may participate in the Global Offering as cornerstone investors. For further information of the investments in the H Shares by Hefei Beicheng and Jiangmen New Energy, please refer to the section headed “Our Cornerstone Investors” in this Prospectus.

INDUSTRY OVERVIEW

The information in this section is derived from an independent report prepared by Frost & Sullivan. The industry report prepared by Frost & Sullivan is based on information from its database, publicly available sources, industry reports, data obtained from interviews and other sources. We believe that the sources of the information in this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any part has been omitted that would render such information false or misleading. The information from official government sources has not been independently verified by us, the Sole Sponsor, the Joint Global Coordinators, the Overall Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, affiliates, advisors or representatives, or any other party (other than Frost & Sullivan) involved in the Global Offering.

SOURCES OF INFORMATION AND RESEARCH METHODOLOGY

The information and statistics set out in this section and other sections of this prospectus were extracted from different official government publications, available sources from public market research and other sources from independent suppliers. In addition, we engaged Frost & Sullivan for preparing an independent industry report in respect of the Global Offering. The information from Frost & Sullivan disclosed in the prospectus is extracted from the Frost & Sullivan Report, a report commissioned by us for a fee of RMB880,000, and is disclosed with the consent of Frost & Sullivan. The Frost & Sullivan Report has been prepared by Frost & Sullivan independently without any influence from us or other interested parties.

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

Overview of New Energy Vehicle Market

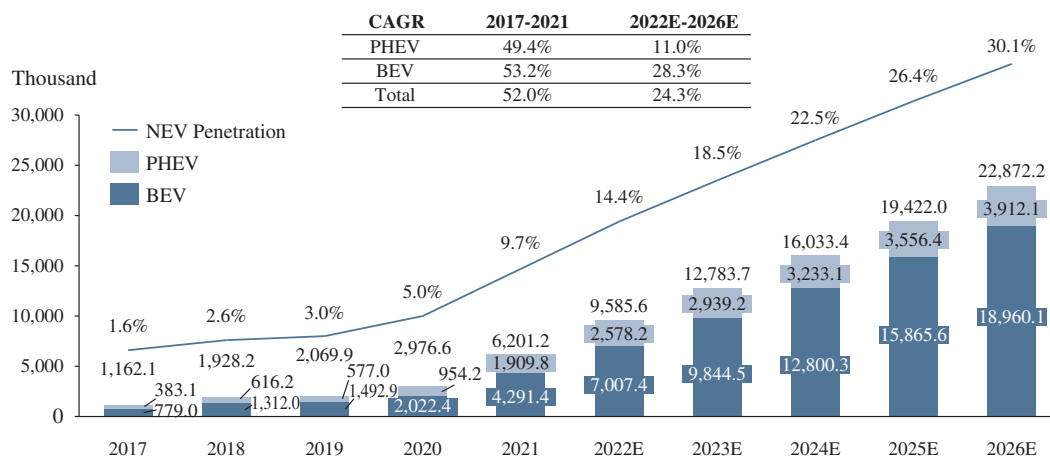
China expects to hit carbon peak before 2030 and the Chinese government aims to achieve carbon neutrality by 2060. The Chinese government has promulgated a number of policies to support the growth of NEV (New Energy Vehicle), which include BEV (Battery Electric Vehicle) and PHEV (Plug-in Hybrid Electric Vehicle). Currently, China is the largest NEV market in the world, with sales of 3,334.0 thousand units in 2021, and continues to account for nearly half of global NEV sales, according to Frost & Sullivan.

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Global NEV Market Have So Far Achieved Remarkable Growth and China's NEV Market Continues to Experience High Growth

The uses of new energy, intelligent control system and telematics have become the most notable trends in the global automobile industry. Accordingly, the global sales volume of NEVs grew from 1,162.1 thousand units in 2017 to 6,201.2 thousand units in 2021. In the forecast period, global NEV sales are expected to grow at a CAGR of 24.3%, and the global NEV penetration is expected to reach 30.1% in 2026.

New Energy Vehicle Sales Volume, Global, Breakdown by Type, 2017-2026E



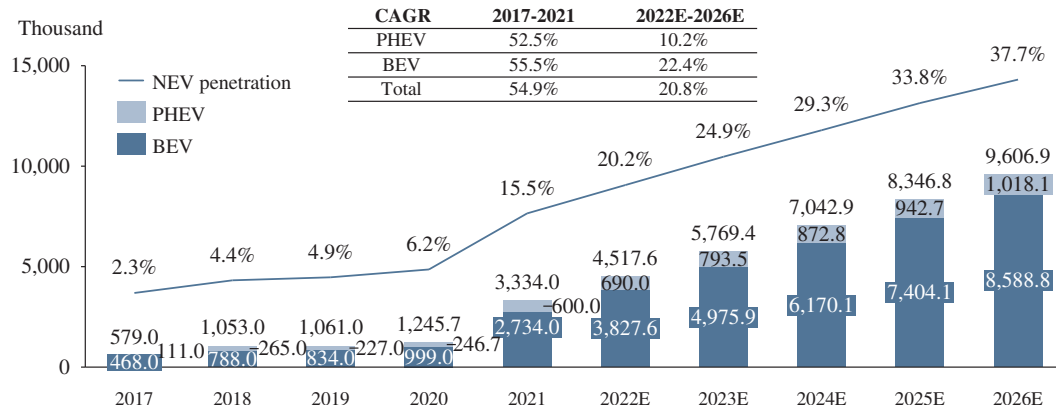
Note: NEV penetration refers to the proportion of NEVs in total passenger vehicles.

Source: Industry Associations, Frost & Sullivan

The total sales volume of passenger vehicles in China was 21.5 million in 2021, and is expected to reach 25.5 million in 2026 with a CAGR of 3.3% from 2022 to 2026. With further policy support and technological development, consumer preference for NEVs is expected to grow, hence the NEV sales penetration is expected to climb from 15.5% in 2021 to 37.7% in 2026, and China's market will represent the most sizable long-term market opportunity globally for NEV stakeholders.

INDUSTRY OVERVIEW

New Energy Vehicle Sales Volume, China, Breakdown by Type, 2017-2026E



Note: NEV penetration refers to the proportion of NEVs in total passenger vehicles.

Source: China Association of Automobile Manufacturers, China Passenger Cars Association, Frost & Sullivan

Both Emerging NEV brands and traditional auto brands are contributing to the growth of NEV market. “Emerging NEV brands” refers to vehicle manufacturers or developers, which only focus on the NEV technology development. Mostly, those emerging NEV brands were founded in the past decade. Compare with the traditional autonomous manufacturers, the strategy of emerging NEV brands does not cover the development of Internal Combustion Engine (ICE) Vehicle. The accumulative sales volume of the emerging NEV brands in China was nearly 440 thousand units, accounted for about 13% of China’s entire NEV sales volume in passenger vehicle market in 2021.

Key Market Drivers and Trends of China’s NEV Market

From consumer preference level: consumers have growing concerns on personal health as well as urban environmental conditions, and actual benefits are granted to EV purchasers in China. Meanwhile, ICE (Internal Combustion Engine) OEMs (Original Equipment Manufacturer) need to invest more in the R&D to reduce the emission of CO₂, NO_x and other air pollutants.

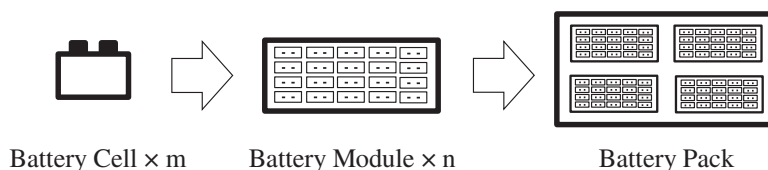
From power type level: BEV will become the mainstream models in future NEV market. At present, the mainstream types of NEVs include BEVs and PHEVs. From the perspective of infrastructure, governments around the world have been promoting the deployment of electric vehicle infrastructure, which in turn has been an important factor in consumers’ increasing adoption of BEVs. BEVs carry more battery capacity than PHEVs, which will drive the growth of battery industry.

Overview of EV Battery Market

Definition and Classification of EV Battery

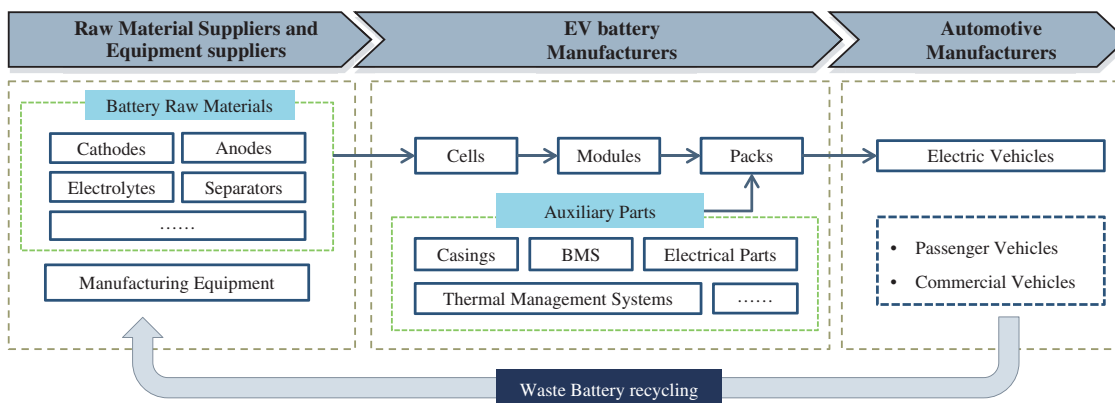
EV battery refers to a rechargeable electricity storage system used in NEV to provide driving energy. As one of the most critical parts of the NEV, EV battery directly affects the NEV performance including driving range, safety, service life, charging time and adaptability of temperature, etc.

Battery cell is the smallest energy unit composed of cathode, anode, electrolytes and separators. A battery module contains many battery cells in parallel and series that shelled in the casing. Battery pack is a system integrating several auxiliary parts with multiple battery modules, and can be directly installed to the vehicles. The relation as shown below:



According to the difference of cathode materials, EV batteries can be classified into lithium titanate oxide battery, lithium manganese oxide battery, lithium iron phosphate (LFP) battery, and ternary battery. LFP and ternary batteries dominate the EV battery market by taking up over 99% of the market share in China, in terms of installed capacity in 2021. Generally, ternary batteries have higher energy density, higher charging efficiency and better low temperature adaptivity, while LFP battery have relatively better safety performance and lower material cost.

EV Battery Value Chain Analysis



Source: Frost & Sullivan

INDUSTRY OVERVIEW

Battery manufacturing requires a variety of raw materials and manufacturing equipment from upstream suppliers as shown above. EV battery manufacturers are responsible for the design and production of EV battery products, which can be shipped and sold in forms of cells, modules and packs according to customer requirements. EV battery is the most valuable part for NEV which accounted for 20-40% of the total vehicle cost. Automotive manufacturers directly purchase EV battery from battery manufacturers. Due to the high-customized feature of EV battery, automotive manufacturers usually involve EV battery manufacturers early in the project development stage.

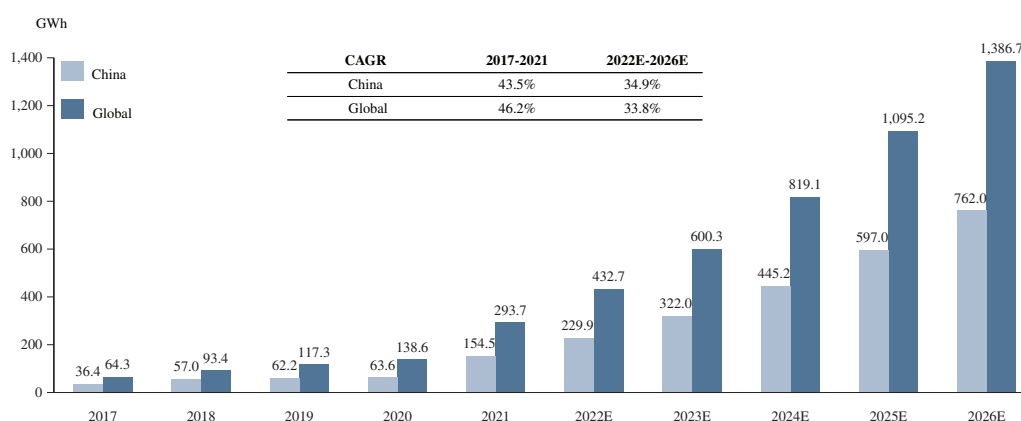
Waste battery recycling refers to collecting raw material from waste battery. There are both raw material suppliers and battery manufacturers engaging in this field of business to achieve an efficient utilization throughout the life cycle of batteries.

Global and China EV Battery Installed Capacity

Benefits from the growth of global NEV market, the EV battery market gained a steady growth with the installed capacity grew from 64.3 GWh in 2017 to 293.7 GWh in 2021 with a CAGR of 46.2%. In the forecast period, in line with the continuous growth of global NEV market, the global EV battery installed capacity are expected to grow at a CAGR of 33.8% from 2022 to 2026 and reach 1,386.7 GWh in 2026.

China is the largest EV battery market in terms of installed capacity. The EV battery installed capacity in China grew at a CAGR of 43.5% from 2017 to 2021 and reached 154.5 GWh in 2021. With the rapid growing of NEV penetration rate, the sound industrial chain and effective pandemic control, China EV battery market will keep growing. The EV battery installed capacity is expected to reach 762.0 GWh in 2026 with a CAGR of 34.9% from 2022 to 2026.

EV Battery Installed Capacity, Global and China, 2017-2026E



Source: China Automotive Battery Innovation Alliance, Frost & Sullivan

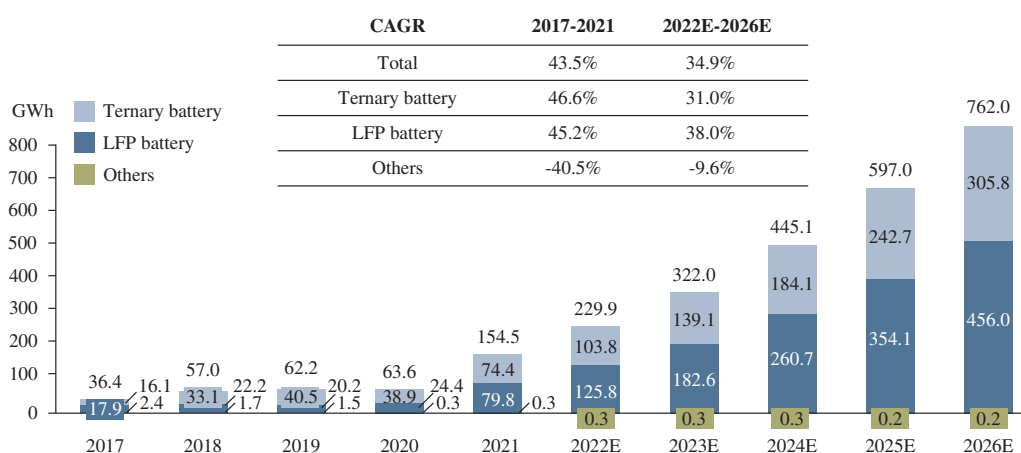
INDUSTRY OVERVIEW

China EV Battery Installed Capacity by Battery Type

Benefiting by government subsidies, ternary batteries highlighted its advantage of higher energy density and gained the most of market share from 2018 to 2020.

In the forecast period, the installed capacity of ternary battery is forecasted to reach 305.8 GWh in 2026 at a CAGR of 31.0% from 2022 to 2026. With comparatively lower cost, LFP batteries market is expected to grow faster and expand the market share. The installed capacity of LFP battery is forecasted to reach 456.0 GWh in 2026 at a CAGR of 38.0% from 2022 to 2026.

EV Battery Installed Capacity, China, Breakdown by Battery Type, 2017-2026E



Note: Others refers to lithium titanate oxide battery, lithium manganese oxide battery.

Source: China Automotive Battery Innovation Alliance, Frost & Sullivan

EV Battery Usage Analysis

Passenger vehicle market is the largest sector for the application of EV batteries. In China, in terms of installed capacity, 42.2GWh, or 68% of the EV batteries were installed to passenger vehicles in 2019, and the number was increased to 132.2GWh, or 86% in 2021.

Both LFP and ternary batteries are suitable for passenger vehicles depending on different requirements. Generally, featured with higher energy density and better lower-temperature adaptivity, ternary batteries are widely applied in long driving range or premium passenger vehicles; LFP are more likely to be adopted for passenger vehicles with lower driving range requirements as LFP batteries are featured with lower cost but less energy density. In addition, LFP batteries are highly adopted for commercial vehicles as commercial vehicles are highly cost-sensitive. In 2021, in terms of installed capacity, approximately 55% of the EV batteries installed to passenger vehicle were ternary batteries, and approximately 90% of EV batteries adopted by commercial vehicle were LFP batteries.

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Fuel cell electric vehicle is another type of NEV powered by hydrogen, which is suitable for long-haul logistic vehicles due to the advantages of relatively longer driving range and fast hydrogen-fueling speed. Fuel cell electric vehicles are currently facing pain points including immature technologies, high cost, poor infrastructure. Thus, electric vehicle will continue to be the major type of NEV, and the EV batteries still have a huge demand.

Key Market Drivers of China EV Battery Market

Policy stimulation: The development of EV batteries is highly consistent with the development of the NEV industry. *Action Plan for Carbon Dioxide Peaking Before 2030* published by State Council revealed the plan to reach the clean energy transport proportion of 40% by 2030 which lead a huge room for the growth of NEV market. The explosive growth potential of NEV market will continue to drive the demand for EV batteries.

Battery performance improvement: The insufficient driving range has been considered as one of the hindrances for purchasing NEV. Due to the technology advancement in recent years, the battery energy density, and charging speed have been greatly improved. Industry participants keep putting effort on improving battery performance, thus enhancing the consumers' confidence and adoption of NEV.

Cost reduction: EV battery accounts for 20-40% of the entire vehicle cost. Due to the advancement of battery technology and the expansion of production scale, the average cost of EV batteries has dropped significantly in past few years. It is expected that the cost of EV batteries still has a potential to reduce. Battery cost reduction drives the price reduction of NEV, benefiting the NEV sales market, which in turn promote the EV battery market.

Future Trends of China EV Battery Market

Battery standardization: In recent years, battery standardization is gaining more attention for its multiple advantages. Battery standardization can (i) improve battery consistency; (ii) promote the large-scale development of the waste battery recycling; (iii) promote the popularization of battery swapping modes. The development of battery standardization is of great significance to the progress of the EV battery industry.

Structural innovation: Battery structural innovation has become a distinctive feature of technological advancement. By optimizing the space utilization and reduce the usage of auxiliary parts, structural innovation can achieve higher battery energy density and lower the material cost. Industry participants are still working on battery structure improvement. In the future, battery structural innovation will continue to be an important technology route that battery manufacturers will put effort on.

Material innovation: Raw material system innovation has been an effective way to promote the battery comprehensive performance. High-nickel cathode material, carbon-silicon anode, lithium pre-doping anode, solid electrolyte, high voltage material, etc. are typical research routes in the industry to enhance battery energy density. In the context of pursuing higher battery energy density and low cost, the trend of battery material innovation will remain for the future.

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Efficient utilization throughout the life cycle: Waste battery recycling refers to the process of chemical, physical or biological means of dismantling waste EV batteries and recycling the available resources, such as metal elements of (Ni) nickel, (Co) cobalt, (Mn) manganese, and (Li) lithium, which are the major elements of cathode raw material. In the context of the raw material price rising due to the booming demand for the EV batteries, waste battery recycling is of significance to the battery industry to achieve the cost reduction and environment protection. Developing waste battery recycling system is a crucial strategy plan of leading battery manufacturers.

Competitive Landscape of Global EV Battery Industry

Global battery industry is dominated by several core companies. Top 10 EV battery manufacturers took up 92.4% of the market share in 2021 in terms of installed capacity.

Company	Installed Capacity (2021, GWh)	Market Share
CATL	97.3	33.1%
LG Energy Solution	58.3	19.9%
Panasonic	34.7	11.8%
BYD	25.9	8.8%
SK On	17.3	5.9%
Samsung SDI	12.8	4.4%
Our Company	9.3	3.2%
Gotion	8.3	2.8%
Envision AESC	4.2	1.4%
SVOLT	3.3	1.1%
Top 10 EV battery manufacturers in total		92.4%

Note: BYD is non-third-party EV battery manufacturer whose EV batteries are mainly sold to BYD brand vehicles.

Source: Frost & Sullivan

INDUSTRY OVERVIEW

Competitive Landscape of China EV Battery Industry

Installed capacity is one of the most typical indicators to demonstrate the comprehensive abilities of an EV battery manufacturer. China EV battery industry is highly concentrated. In 2021, top 10 EV battery manufacturers gained 92.4% of totally installed capacity in China.

	Installed Capacity (2021, GWh)	Market Share
CATL	80.5	52.1%
BYD	25.0	16.2%
Our Company	9.1	5.9%
Gotion	8.0	5.2%
LG Energy Solution	6.3	4.1%
SVOLT	3.2	2.1%
Tafel	3.0	1.9%
EVE	2.9	1.9%
Farasis	2.6	1.7%
Sunwoda	2.0	1.3%
Top 10 EV battery manufacturers in total		92.4%

Note: BYD is non-third-party EV battery manufacturer whose EV batteries are mainly sold to BYD brand vehicles.

Source: China Automotive Battery Innovation Alliance, Frost & Sullivan

INDUSTRY OVERVIEW

Third-party EV battery manufacturers indicate those whose businesses are not engaging in vehicle manufacturing and the EV battery products are sold to external NEV manufacturers. But there are also non-third-party EV battery manufacturers, usually OEM-background manufacturers, who mainly produce batteries for their own brands of NEV. Non-third-party EV battery manufacturers usually supply EV batteries to their own vehicles at an unshakable position, thus facing less competitive pressure from the peers. Such as BYD and Greater Bay Technology (one of the internal incubation company of GAC in 2020) whose EV batteries are sold primarily for in-house brand vehicles of BYD and GAC respectively. However, market expansion of such kind of non-third-party EV battery manufacturers heavily relies on the sales volume of their own brands of vehicles, because other leading NEV manufacturers are sensitive to adopt batteries from an EV battery manufacturers with their own NEV brands of vehicles, due to their competitive relation on the NEV sales market. In contrast, with no competing interests with NEV manufacturers, third-party EV battery manufacturers usually featured with less risk and uncertainty on market expansion as they have diversity of business opportunity to supply batteries to any NEV manufacturers.

Key Index of EV Battery Performance

Battery safety

Battery safety performance is the priority when evaluating the performance of electric vehicles. Pursuit of a higher level of safety has always been the goal of the EV battery industry. Compared to LFP battery, ternary battery has advantages on energy density, charging efficiency and low-temperature adaptivity, but raises higher technological requirements to ensure battery safety performance.

Nail penetration test is one of the most rigorous EV battery safety performance tests. Nail penetration test refers to an EV battery thermal propagation test which requires that the EV battery pack should not explode or catch fire due to thermal runaway^{Note 1} when it is entirely penetrated by a steel nail under required conditions. Such test aims to simulate the scenario that when encountering thermal runaway^{Note 1} by internal fault or unexpected damages, the EV batteries would not explode or catch fire and leave enough time for passengers to escape. Thus, the EV batteries which passed the nail penetration test represent a very high level of battery safety.

Up to the end of 2021, there were only two NEV brands in China have published the “pass” result for ternary battery nail penetration test, which represent the leading safety level of ternary battery in the world. The batteries for one of the brands are provided by our Company. The “magazine battery” launched by our Company is the first of its kind in the industry to prevent fire in the nail penetration test of the ternary battery system, which significantly improves the thermal safety level of the ternary battery system and realized satisfactory application.

Note 1: Thermal runaway refers to the phenomenon that the battery temperature rises uncontrollably due to the exothermic chain reaction of the battery cells.

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Energy density

Energy density is a core indicator of measuring EV battery performance. Generally, under the same conditions, the higher the energy density is, the longer the driving range of a NEV will be. However, simply increasing energy density will raise the safety risk of batteries. For instance, increasing the content of nickel metal in ternary battery can effectively improve energy density, but could also lead to lower battery safety performance as nickel element is relatively active. Therefore, the pursuit of a balance between high energy density and great safety performance is of significance to the EV battery industry. Through high-voltage technology, our Company has achieved the ternary battery cell energy density of 260Wh/kg and 280Wh/kg for medium-nickel high-voltage 5-series and 6-series battery products, respectively, which could parallel that of the high-nickel EV batteries, and provides a better safety performance over high-nickel EV batteries. Such EV battery products have been widely recognized by leading NEV manufacturers and successfully installed in many best-selling models of leading NEV manufacturers.

In the EV battery industry, the leading edge in products and technologies is necessary for the leading companies. Among the peer comparison, our Company has products with industry leading energy density, including:

- the high-voltage ternary system features high energy density, long battery life and excellent safety, making it one of the best battery system solutions for passenger vehicles and realized mass capacity installation;
- all tab laminated battery has excellent volumetric energy density and outstanding fast charging performance. It has been successfully installed by a number of key customers in their mainstream new platform models; and
- “One-stop Bettery^{Note 2}” battery with the newly developed minimalist structure, which has advantages in energy density, safety and economy, making it the focal point and also the first of its kind in the industry.

Cycle life

Battery cycle life is an index to measure the life span of EV batteries, but it varies depending on specific battery designs. Generally, the cycle life^{Note 1} is ranged from 3000 to 4000 cycles for LFP batteries, and 1500-2300 cycles^{Note 1} for ternary batteries.

Note 1: Cycle life (or life cycle) refers to the number of times (or cycles) that the EV battery can undergo the process of complete charging and discharging until the end of its life, and the end life of a EV battery generally indicates that the available capacity of the battery has decay to 80% of its designed capacity.

Note 2: Bettery is a term for better battery.

INDUSTRY OVERVIEW

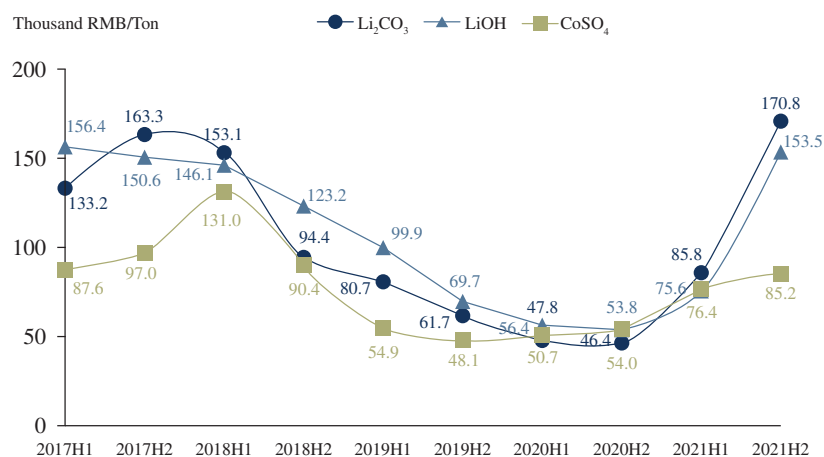
Manufacturing capability

EV battery manufacturing involves a series of complex process and parameters control to ensure that the battery can meet the design requirements and featured with great product consistency. Mature EV battery manufacturing capabilities not only rely on the industry-leading R&D capabilities of EV battery manufacturers, but also require years of experience in EV battery manufacturing and shipment. Generally, an accumulated sales volume of over 10GWh of EV batteries with no major product quality issues is a representative of the leading manufacturing capacity of an EV battery manufacturer. Our company has attained an accumulated 19.43GWh sales volume of EV batteries with high utilization rates of over 90% during the Track Record Period and without any product recalls or fatal accidents due to product defects. In addition to excellent product performance, the leading manufacturing capability is another fact that makes us deeply trusted and highly recognized by leading NEV manufacturers in the industry.

EV Battery Major Raw Material Price Analysis

Battery cell is composed of cathodes, anodes, electrolyte and separators. Cathode material is the costliest part, which takes up around 30-55% of the total cost of the battery cell depending on the battery types. Lithium carbonate (Li_2CO_3), lithium hydroxide (LiOH) and cobalt sulfide (CoSO_4) are the major raw material of synthesizing EV battery cathode. The price of cathode raw material increased from 2017H1 to 2018H1 driven by the rapid growth of EV battery installed capacity. From 2018H1 to 2020H2, due to the slow growth of EV battery installed capacity with release of raw material production capacity during the period, the price of cathode raw material undergone a continuous declination. In 2021, given a great demand of raw material due to the rapid growth of EV battery installed capacity, the price of the major cathode raw material has climb up since 2021. The historical price trend as shown below.

Average Price of Major Cathode Raw Material, China, 2017-2021



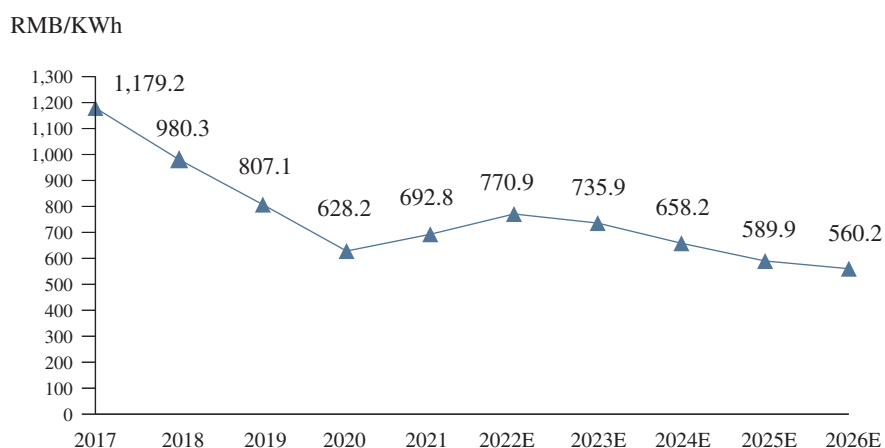
Source: Frost & Sullivan

INDUSTRY OVERVIEW

EV Battery Cost Analysis

Benefiting by technology advancement, the economies of scales and the price decrease of raw materials, the cost of EV battery plummeted from 2017 to 2020. In 2021, the EV battery cost increased taking into account the rising prices of the raw materials. But due to scale effect and technological advancement, even the price of cathode raw material climbs rapidly, the cost of EV batteries has not increased to the same extent. The average cost of EV battery is expected to stay high in the early 2022 and then constantly decline from late 2022 to 2026.

Average Cost of EV Battery Pack, China, 2017-2026E



Source: Frost & Sullivan

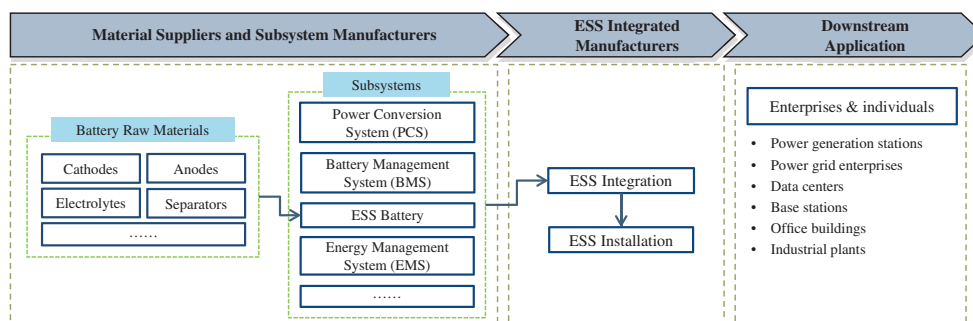
Overview of China ESS Battery Market

Definition of ESS Battery

Energy storage system (ESS) batteries, which mostly are lithium-ion batteries, are the core unit in ESS. ESS refers to the device that can store electricity power and output for usage when needed. Differ from EV battery, ESS batteries are deployed in a wide span of scenarios in power system including power generation, power transmission & distribution and power consumption by its function of peak shaving and valley filling, system frequency modulation, smooth new energy power output and etc.

INDUSTRY OVERVIEW

ESS Battery Value Chain Analysis



Source: Frost & Sullivan

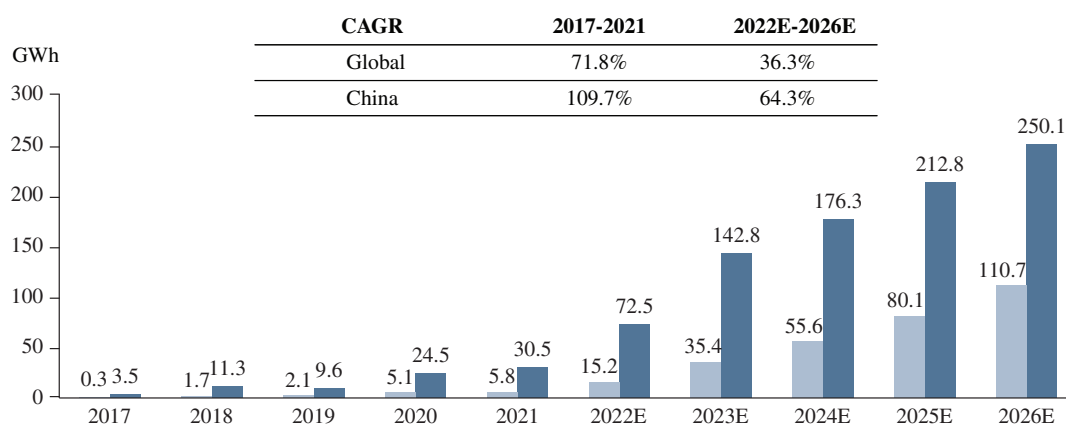
The subsystem manufacturers are upstream participants in the value chain. ESS is an integration of multiple subsystems, as shown above. ESS battery is the most valuable part which accounted for around 60% of the total cost of ESS. ESS integrated manufacturers in midstream are responsible for the system design, subsystem selection and subsystem integration to form a functional ESS, then sell to the customers. ESS is widely used in various scenarios by enterprises and individual users.

Global and China ESS Battery Installed Capacity Analysis

Benefiting by the continuous reduction of the battery cost and the stimulation of government policies, global ESS battery installed capacity reached 30.5 GWh in 2021. China ESS battery has achieved 5.8 GWh newly-installed capacity put into operation in 2021 from the basis of 0.3 GWh in 2017.

In the context of national strategy of energy transformation and carbon neutrality globally, ESS battery is an integral part in the power system reform and new energy power construction. The newly installed capacity is expected to reach 250.1 GWh globally in 2026, of which China is the largest market with 110.7 GWh installed capacity.

Energy Storage Battery Newly Installed Capacity, Global and China, 2017-2026E



Source: Frost & Sullivan

INDUSTRY OVERVIEW

Competitive Landscape of ESS Battery Industry

ESS market is still at the initial stage of the development. Comparing to the installed capacity of 154.5GWh in EV battery market in 2021 in China, ESS battery only achieved an installed capacity of 5.8 GWh in 2021.

The downstream applications of ESS battery are mainly backup power for new energy power generation, and in view of their relatively low profitability, new energy power generation companies are more sensitive to the cost of ESS battery compared to the NEV companies to the cost of EV battery. This situation led to the fact that most EV battery companies currently focus on sales in the NEV application, while the sales in the ESS application account for a relatively low proportion. Therefore, the installed capacity of industry players in ESS applications is small, the market is relatively fragmented, and the projects with ESS battery capacity are commonly lower than 0.1GWh.

As ESS market is at the initial stage of the development, it has notable room to grow. It is expected that China ESS battery market would also be driven by government policy, because the ESS installations are mandatory requirement for new energy power generation (e.g., photovoltaic power generation).

Key Market Driver of China ESS Battery Market

Policy stimulation: In the context of the national goal of carbon neutrality, China ESS market welcomes a series of favorable policies. For instance, *Action Plan for Carbon Dioxide Peaking Before 2030* issued by the State Council in 2021 unveiled a series of ambitious action plan to accelerate the ESS development. It is expected that the ESS industry will grow explosively under the stimulus of national and local policies.

Cost reduction: Technology advancement and production scale expansion promote the cost reduction for ESS battery. Moreover, the rapid development of the EV battery industry drives the related technologies applied into ESS batteries, which accelerates the cost reduction for ESS batteries. Continued cost reduction of ESS battery promotes the adoption intention for downstream users.

Wide span of application scenarios: ESS battery is deployed in a wide span of scenarios in power system including power generation, power transmission & distribution and power consumption. The rapid growing renewable energy power system construction lays the foundation for the large-scale deployment of ESS. As the energy transition accelerates, the ESS battery market will embrace new opportunities.

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Future Trends of China ESS Battery Market

Improving performance: ESS safety accidents have occurred around the world, which causes widespread concern in the industry. Improving safety performance of ESS battery is the most effective measure to solve the system safety problems. Pursuing higher safety performance and longer cycle life are the technological development trends of ESS batteries in the future.

Distributed ESS: ESS applications are undergoing an expansion from centralized models to distributed models, as so-called distributed ESS. Different from centralized ESS that are deployed for power stations or power grids, distributed ESS deployments can be flexibly applied to NEV charging stations or buildings. Distributed model development is expanding the market application scenarios of the ESS, and will drive the related technology development and market growth in the future.

Cascade utilization: Cascade utilization refers to the utilization of waste EV batteries as ESS battery. It has been identified as a cost-efficient and sustainable alternative for ESS construction. Large quantities of waste EV batteries are expected to be available in the future as NEVs are more widely adopted. Therefore, cascade utilization in field of ESS is expected to be a trend in the industry.

Entry Barriers of EV Battery and ESS Battery Market

Technology barriers: EV and ESS battery R&D and manufacturing is an integration of multiple technologies, requires a long-term accumulation of talents and technologies. In addition, In-depth collaboration and joint development with raw material suppliers and NEV manufacturers are of significance to EV and ESS battery manufacturers to maintain the technological leadership. Such high technology barriers are challenging new players who plan to enter the market.

According to Frost & Sullivan, we are one of the few EV battery companies with comprehensive independent R&D capabilities and the ability to solely complete the production of EV batteries. For instance, the launch of our high-performance EV battery has showcased our comprehensive core technologies and production capabilities at multiple levels and dimensions, including production of chemical materials with high thermal stability, optimization of cell structural design, dredging treatment of energy flow in system integration, and precision manufacturing of detecting and avoiding defects.

Capital barriers: EV and ESS battery R&D need to recruit various professional talents and purchase diversified testing equipment. In addition, factory building, equipment purchasing, raw material purchasing, and labor recruiting are basic conditions to realize the production of EV and ESS batteries. Thus, EV and ESS battery R&D and production require sizable capital investments.

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Customer barriers: EV battery and ESS battery are the core parts of NEVs and ESSs which directly affect the performance and safety of them. As a result, the end market customers are very cautious to recruit new suppliers who have insufficient mass production experience in such industry. The suppliers, who serve in the industry for many years and the product has been fully validated, are deeply trusted by the customers. For example, our Company's outstanding performance has been highly recognized by our customers and we have been continuously awarded with "New Energy Contribution Award" from Changan NEV and "New Energy Excellent Supplier" from Customer G.

REGULATORY OVERVIEW

A summary of the most significant rules and regulations affecting our business activities in China is set out in this section.

PRINCIPAL REGULATORY AUTHORITIES

We are mainly engaged in the design, development, production and sales of EV batteries and ESS products, and are subject to the supervision of the National Development and Reform Commission (the “NDRC”) and the Ministry of Industry and Information Technology of the PRC (the “MIIT”).

The main functions undertaken by the NDRC include: formulating and implementing strategies on national economic and social development; medium and long-term development plans and annual plans, coordinating economic and social development, working on the coordination and solution of major economic concerns and adjusting economic operation.

The main functions undertaken by the MIIT include: drawing up new industrialization development strategies and policies; formulating and implementing industrial planning, plans and policies, including the regulations for the industries of EV battery; monitoring and analyzing the trend of operation of industrial sector; and conducting surveys and publishing the relevant information; formulating and implementing the policies on industrial energy conservation and comprehensive utilization of resources and promotion of clean production.

INDUSTRIAL POLICES

Domestic industrial development mainly follows the relevant industrial structure guidelines proposed by the NDRC.

Foreign investors and foreign-invested enterprises investing in China shall comply with the Catalog of Industries for Encouraging Foreign Investment (2020 edition) (《鼓勵外商投資產業目錄(2020年版)》), which was promulgated by the NDRC and the MOFCOM on December 27, 2020 and took effect on January 27, 2021. Pursuant to the Catalog, the manufacturing of EV battery involved in our Company’s operation falls within the scope of industries in which foreign investment is encouraged.

According to the Guiding Catalog for Industrial Restructuring (《產業結構調整指導目錄》), which was promulgated by the NDRC on December 2, 2005, with the latest amendment on December 30, 2021, and was effective on December 30, 2021, new primary EV batteries including lithium-iron disulfide (Li-FeS_2) batteries and lithium thionyl chloride (LiSOCl_2) batteries, new batteries including lithium-ion batteries, nickel-hydrogen batteries, sealed lead-acid batteries with new structures (including bipolar, horizontal, coiled and tubular); lead-carbon batteries, super batteries, fuel cells, lithium/carbon fluoride batteries and supercapacitors fall into the state-encouraged industries.

REGULATORY OVERVIEW

According to the Guiding Catalog for Key Products and Services for Strategic Emerging Industries (《戰略性新興產業重點產品和服務指導目錄》) promulgated by the NDRC on January 25, 2017, packet assemblers and offline testing equipment dedicated for lithium-ion battery cells, modules and systems; supercapacitor cells, modules and systems; new system EV batteries cells, modules and systems; hybrid energy storage power modules and systems; modular nickel-metal hydride battery ESS; battery management systems, super capacitor management systems; electromechanical coupling systems, EV battery systems, high-voltage wiring harnesses and other components; packet assemblers for fuel cell system; automobile-specific final assembly equipment; and recycling of used new energy vehicle EV batteries are key products and services for strategic emerging industries.

According to the Notice of the 14th Five-Year Plan for Circular Economy Development (《“十四五”循環經濟發展規劃的通知》) issued by the NDRC on July 1, 2021, in order to vigorously develop circular economy, promote resource conservation and intensive use, and build a resource recycling industrial system and recycling system of waste materials, the establishment of the traceability management platform for the EV batteries of NEVs shall be strengthened, and the traceability management system for the recycling and reuse of the EV battery of NEVs shall be improved.

According to the Guiding Opinions on Accelerating the Development of New Energy Storage (《關於加快推動新型儲能發展的指導意見》) jointly promulgated by the NDRC and the National Energy Administration on July 15, 2021, the PRC will strive to build a clean, low-carbon, safe and efficient energy system, and seek to drive down the cost and advance the commercial-scale application of more mature new energy storage technologies such as lithium-ion batteries, in an effort to achieve carbon peak and carbon neutrality. By 2025, it will realize the transition from the early stage of commercialization to scale development of new energy storage batteries such as lithium-ion batteries. By 2030, it will realize the full market-oriented development of new energy storage batteries, and new energy storage batteries will become one of the key supports for carbon peak and carbon neutrality in the energy sector.

COMPANY LAW

According to the PRC Company Law implemented by the Standing Committee of the National People's Congress (the "SCNPC") on December 29, 1993 and amended, passed and came into effect on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013 and October 26, 2018, respectively, both of limited liability companies and joint stock limited companies established in the PRC have the status of legal persons. The liability of shareholders of a limited liability company and a joint stock limited company is limited to the amount of capital they have contributed or shares they have subscribed for. The PRC Company Law also applies to foreign-invested enterprises. Where laws on foreign investment have other stipulations, such stipulations shall apply.

REGULATORY OVERVIEW

LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT

According to the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) implemented by the SCNPC on March 15, 2019 and came into effect on January 1, 2020, China implements the pre-entry national treatment and the Negative List management system to foreign investments. The pre-entry national treatment refers to granting to foreign investors and their investments, in the stage of investment access, the treatment no less favorable than that granted to domestic investors and their investments; the Negative List refers to special administrative measures for access of foreign investment in specific fields as stipulated by the State. The State will give national treatment to foreign investments outside the Negative List.

Foreign Investors shall not invest in any field prohibited by the Negative List and shall meet the investment conditions stipulated for any field restricted by the Negative List, while for foreign investments outside the Negative List, it shall be administered under the principle of equal treatment to domestic and foreign investment. The State establishes a foreign investment information reporting system.

According to the Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》) promulgated by the MOFCOM and the State Administration for Market Regulation on December 30, 2019 and came into effect on January 1, 2020, foreign investors or foreign-invested enterprises shall submit investment information in a timely manner, follow the principles of truthfulness, accuracy and completeness, and shall not make false or misleading reports or material omissions. Where a foreign-invested enterprise invests (including multi-level investment) to establish an enterprise in the PRC, the relevant information shall be pushed by the market supervision department to the competent department in charge of commerce after the registration and filing with the market supervision department and the submission of the annual report information.

The Special Administrative Measures for the Access of Foreign Investment (the “Negative List”) (《外商投資准入特別管理措施(負面清單)(2021年版)》) was promulgated by the NDRC and the MOFCOM on December 27, 2021 and came into effect on January 1, 2022, and it sets out the restrictive measures in a unified manner, such as the requirements on shareholding percentages and management, for the access of foreign investments, and the industries that are prohibited for foreign investment. The Negative List covers 12 industries, and any field not falling in the Negative List shall be administered under the principle of equal treatment to domestic and foreign investment.

POLICIES AND REGULATIONS RELATING TO EV BATTERY, ENERGY STORAGE AND BATTERY RECYCLING

According to the Action Plan for Carbon Dioxide Peaking Before 2030 (《2030年前碳達峰行動方案》) promulgated by the State Council and became effective on October 24, 2021, China will focus on the implementation of “Ten Major Peaking Carbon Dioxide Emissions Actions”, such as the actions for energy transition, energy saving and carbon reduction, and low-carbon transportation. Among which, the actions related to the EV battery and energy storage mainly include: (1) in terms of the action for energy green and low-carbon transition, China will speed up the construction of new electric power systems, actively develop the “new energy + energy storage” model, promote coordination of power source-grid-load-storage, use multiple energy sources to supplement each other, support the deployment of appropriate ESS for distributed new energy sources, and accelerate the broad demonstration and application of new types of energy storage. By 2025, installed capacity of new types of energy storage will reach 30 gigawatts or more; (2) in terms of the action for energy saving, carbon emission mitigation and efficiency improvement, China will strengthen energy conservation and carbon reduction in new types of infrastructure by employing models including DC power supply, distributed energy storage, and “solar + storage” mode, making explorations into diversified energy supply; (3) in terms of the action for promoting green and low-carbon transportation, China will promote low-carbon transformation of transportation vehicles and equipment and vigorously promote new-energy vehicles, while gradually reducing the proportion of cars that run on traditional oil-based fuels in new car sales and car ownership. By 2030, the share of incremental vehicles fueled by new and clean energy will reach around 40%.

According to the Working Guidance for Carbon Dioxide Peaking and Carbon Neutrality in Full And Faithful Implementation of the New Development Philosophy (《關於完整準確全面貫徹新發展理念做好碳達峰碳中和工作的意見》) promulgated by the Central Committee of the Communist Party of China and the State Council and became effective on September 22, 2021, it expressly stipulates that, in order to achieve the main objectives of carbon peak and carbon neutrality as scheduled, China will accelerate the building of a clean, low-carbon, safe and efficient energy system; speed up the construction of a low-carbon transportation system, optimize the transportation structure, and continue to reduce transportation energy consumption and carbon dioxide emission intensity, promote energy-saving and low-carbon transportation, guide low-carbon way of travel; strengthen key green and low-carbon technological research and promotion and application, carry out research on low-carbon, zero-carbon, carbon negative and new energy storage materials, and strengthen the research, demonstration and industrial application of new energy storage technologies such as electrochemistry.

According to the Outline of the Fourteenth Five-Year Plan for National Economic and Social Development of the PRC and the Long-Range Objectives for 2035 (《中華人民共和國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要》) approved by the NPC and became effective on March 11, 2021, China will promote the safe and efficient use of clean, low-carbon energy, and deepen low-carbon transformation in areas including industry, construction and transportation, focus on strategic emerging industries such as NEVs, accelerate the innovation and application of key core technologies, build a modern energy system, and accelerate the construction of pumped-storage power stations and the large-scale application of new energy storage technologies.

REGULATORY OVERVIEW

According to the “Planning for the Development of the New Energy Automobile Industry (2021-2035)” (《新能源汽車產業發展規劃(2021–2035年)》) promulgated by the General Office of the State Council and came into effect on October 20, 2020, China’s new energy vehicle industry has entered a new stage of accelerated development. It is clearly mentioned that the implementation of battery technology breakthroughs will promote various programs such as the development of the full value chain of EV battery, the construction of a high-efficiency EV battery recycling system, and the acceleration of the promotion of EV battery recycling legislation. By 2025, the competitiveness of China’s new energy vehicle market will be significantly enhanced, with the sales volume of NEVs reaching about 20% of the total sales volume of new vehicles.

According to the Regulations for the Administration of New Energy Storage Projects (Interim) (《新型儲能項目管理規範(暫行)》) promulgated by the National Energy Administration on September 24, 2021, the competent energy department under the State Council is responsible for the planning, guidance, supervision and administration of new energy storage projects nationwide; the competent provincial energy department will, in accordance with the national development plan for new energy storage, study the key tasks of the region and guide the development of new types of energy in the region and provide guidance on energy storage development following the principles of integrated planning, adjusting measures to local conditions, innovation-driven, demonstrating first, market-oriented and orderly development, safety-based and standardized management.

According to the Action Plan for Promoting the Development of the Automotive EV Battery Industry (《促進汽車動力電池產業發展行動方案》) promulgated by the MIIT, the NDRC, the Ministry of Science and Technology (the “MOST”) and the MOF on February 20, 2017, the development of EV battery in China is promoted in three stages: In 2018, we will improve the cost performance of existing products to ensure the supply of high-quality battery. In 2020, we will achieve large-scale application of a new generation of lithium-ion EV battery based on the improvement of existing technologies. In 2025, we will adopt new battery systems based on new chemical principles and strive to achieve technological changes and development testing.

According to the Interim Measures for the Management of Recycling and Use of Power Storage Batteries for New Energy Vehicles (《新能源汽車動力蓄電池回收利用管理暫行辦法》) promulgated by the MIIT, the MOST, former Ministry of Environmental Protection, Ministry of Transportation, the MOFCOM, former General Administration of Quality Supervision, Inspection and Quarantine of the PRC and National Energy Administration on January 26, 2018 and became effective on August 1, 2018, vehicles manufacturers shall establish recycling channel for power storage batteries, to recycle wasted power storage batteries generated from the use and retirement of NEVs. Vehicles manufacturers shall establish recycling network, responsible for the collection, storage of the wasted and used power storage batteries and transferring them to its partnered enterprises. Vehicles manufacturers, batteries manufacturers, retired vehicles recycling and dismantling enterprises and comprehensive utilization enterprises are encouraged to jointly build and share recycling channel for wasted power storage batteries through various means.

REGULATORY OVERVIEW

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

LAWS AND REGULATIONS RELATING TO PRODUCTION SAFETY

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

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

REGULATORY OVERVIEW

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

LAWS AND REGULATIONS RELATING TO RADIATION SAFETY

According to the Law of the PRC on Prevention and Control of Radioactive Pollution (《中華人民共和國放射性污染防治法》) promulgated by the SCNPC on June 28, 2003 with effect from October 1, 2003, an entity producing, selling or using radioisotope and ray devices shall, in accordance with the relevant provisions of the State Council on prevention of radioactivity from the radioisotope and ray devices, apply to obtain a permit, and make registration accordingly. An entity producing, selling, using or storing radioactive sources shall set up a sound and safe security system, designate special person to be responsible for the system, ensure the implementation of the system of liability for safety, and formulate the necessary measures for addressing emergencies in accidents.

According to the Regulations on the Security and Protection of Radioisotope and Radioactive Ray Devices (《放射性同位素與射線裝置安全和防護條例》), which were promulgated by the State Council on September 14, 2005 and revised on July 29, 2014, and March 2, 2019, and Measures for Administration of the Safety Licensing of Radioactive Isotopes and Radioactive Equipment (《放射性同位素與射線裝置安全許可管理辦法》), which were promulgated by the former Ministry of Environmental Protection on January 18, 2006 and revised on November 21, 2008, December 12, 2017, August 22, 2019 and January 4, 2021, stipulate that any entity producing, selling or using radioisotopes or radiation-emitting devices of different categories shall obtain a radiation safety license (輻射安全許可證).

REGULATORY OVERVIEW

LAWS AND REGULATIONS RELATING TO PRODUCT QUALITY

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

LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

According to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) (“Environmental Protection Law”) promulgated by the SCNPC on December 26, 1989, amended on April 24, 2014 and implemented on January 1, 2015, the Law of the PRC on Environmental Impact Assessment (《中華人民共和國環境影響評價法》) promulgated by the SCNPC on October 28, 2002 and amended on July 2, 2016 and December 29, 2018, the Regulations on the Administration of Environmental Protection for Construction Project (《建設項目環境保護管理條例》) promulgated by the State Council of the PRC on November 29, 1998 and came into effect on November 29, 1998, amended on July 16, 2017 and implemented on October 1, 2017, Administration Regulations on Record-filing of the Registration Forms of Construction Projects (《建設項目環境影響登記表備案管理辦法》) promulgated by former Ministry of Environmental Protection of PRC on November 16, 2016 and came into effect on January 1, 2017, the Interim Measures on Environmental Protection Acceptance of Construction Projects (《建設項目竣工環境保護驗收暫行辦法》) promulgated by former Ministry of Environmental Protection of PRC on November 20, 2017 and effective on November 20, 2017 and other relevant environmental laws and regulations, entities generating environmental pollution and other public hazards must incorporate environmental protection measures into their plans and set up a responsibility system of environmental protection. Construction projects shall go through the environmental impact assessment procedure accordingly. The construction projects which may have significant impact on the environment shall prepare an environmental impact report with full assessment of their impact on the environment while those projects which have less severe environmental impact are required to prepare an environmental impact report regarding analysis or specific assessment of the environmental impacts, and those projects which have slight impact on the environment are not required to conduct environment impact assessment but need to complete the environmental impact registration form.

REGULATORY OVERVIEW

Pollution prevention facilities for construction projects must be designed, constructed and launched into production and use at the same time with the main part of the projects. Construction projects for which an environmental impact report or an environmental impact report form is prepared can only be put into operation after the acceptance of environmental protection facilities. Enterprises and public institutions discharging pollutants must report to and register with relevant authorities in accordance with the provisions promulgated by the environmental protection administrative authority under the State Council. Relevant authorities have the authority to impose penalties on individuals or entities which have breached the environmental regulations. The penalties that can be imposed include issuing a warning, the suspension of operation of pollution prevention facilities for construction projects where such facilities are uncompleted or fail to meet the prescribed requirements but are put into operation, the reinstallation of pollution prevention facilities which have been dismantled or left idle, administrative sanctions against the office-in-charge, the suspension of business operations or the shut-down of an enterprise or public institution. Fines could also be imposed together with these penalties.

Air Pollution

According to the Atmospheric Pollution Prevention and Control Law of the PRC (《中華人民共和國大氣污染防治法》) promulgated by the SCNPC on September 5, 1987 and amended on August 29, 1995, April 29, 2000, August 29, 2015 and October 26, 2018, respectively, construction, renovation and expansion projects which discharge air pollutants shall comply with regulations regarding environmental protection of construction projects. The environmental impact assessment report regarding a construction project, which is subject to the approval of the environmental protection administrative authorities, shall include an assessment on the air pollution the project is likely to produce and its potential impact on the ecological environment. No construction projects may be put into operation before adequate facilities for prevention and control of air pollution have been inspected and accepted by the environmental protection administrative authorities. Construction projects which have an impact on the atmospheric environment shall conduct the environmental impact assessment, and that discharge of pollutants to the atmosphere shall conform to the atmospheric pollutant discharge standards and abide by the total quantity control requirements for the discharge of key atmospheric pollutants.

Solid Waste

According to the Law of the PRC on the Prevention and Control of Environment Pollution Caused by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》) promulgated by the SCNPC on October 30, 1995, amended on December 29, 2004, June 29, 2013, April 24, 2015, November 7, 2016 and April 29, 2020, respectively, and implemented on September 1, 2020, construction projects where solid wastes are generated or projects for storage, utilisation or disposal of solid wastes shall be subject to environmental impact assessment. Facilities for the prevention and control of solid wastes are required to be designed, constructed and put into use or operation simultaneously with the main part of the construction project. No construction projects may be put into operation before its facilities for the prevention and control of solid wastes have been inspected and accepted by the competent environmental protection administrative authorities.

REGULATORY OVERVIEW

Water Pollution

According to the Water Pollution Prevention and Control Law of the PRC (《中華人民共和國水污染防治法》) promulgated by the SCNPC on May 11, 1984, amended on May 15, 1996, February 28, 2008 and June 27, 2017, respectively, and implemented on January 1, 2018, construction, renovation and expansion projects and other upper-water facilities that directly or indirectly discharge pollutants to water are subject to environmental impact assessment. In addition, water pollution prevention facilities are required to be designed, constructed and put into operation simultaneously with the main part of the project. From January 1, 2018, water pollution prevention facilities are required to be complied with the requirements in the environmental impact report approved by and filed with the competent authorities.

Noise Pollution

According to the Law of the PRC on Prevention and Control of Pollution From Environmental Noise (《中華人民共和國環境噪聲污染防治法》) promulgated by the SCNPC on October 29, 1996, amended on December 29, 2018 and implemented on December 29, 2018, construction, renovation or expansion projects must conform to the regulations of environmental protection. Where a construction project might cause environmental noise pollution, the enterprises undertaking the project must prepare an environmental impact report which includes the measures it takes to prevent and control such noise pollution, and submit it, following the procedures prescribed by the State, to the competent administrative department for environmental protection for approval. Facilities for prevention and control of environmental noise pollution must be designed, constructed and put into use simultaneously with the main part of a construction project.

Environmental Protection Tax Law

According to the Environmental Protection Tax Law of the PRC (《中華人民共和國環境保護稅法》) promulgated by the SCNPC on December 25, 2016, amended on October 26, 2018 and implemented on the same day, and the Regulations for the Implementation of the Environmental Protection Tax Law of the PRC (《中華人民共和國環境保護稅法實施條例》) came into effective on January 1, 2018, (i) enterprises, public institutions and other producers and operators that directly discharge pollutants to the environment within the territory of the PRC and other sea areas under the jurisdiction of the PRC are taxpayers of environmental pollution tax, and shall pay environmental pollution tax in accordance with the aforementioned laws and regulations, (ii) the Administrative Regulations on the Collection and Use of Pollutant Discharge Fees (《排污費徵收使用管理條例》) was repealed and no more pollutant discharge fees shall be collected. According to the Environmental Protection Law, in the event that an entity discharges pollutant in violation of the pollutant discharge standards or volume control requirement, the entity would be subject to administrative penalties, including order to suspend business for rectification, and even order to terminate or close down business under severe circumstances.

REGULATORY OVERVIEW

LAWS AND REGULATIONS RELATING TO IMPORT AND EXPORT OF GOODS

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

According to the Administrative Provisions on the Registration of Customs Declaration Entities of the PRC (《中華人民共和國海關報關單位註冊登記管理規定》), promulgated by the General Administration of Customs of the PRC on March 13, 2014, amended on December 20, 2017 and May 29, 2018 and effective on July 1, 2018, import and export of goods shall be declared by the consignor or consignee itself, or by a customs declaration enterprise entrusted by the consignor or consignee and duly registered with the customs authority. In accordance with the Provisions on the Administration of Recordation of Customs Declaration Entities of the PRC (《中華人民共和國海關報關單位備案管理規定》) published by the General Administration of Customs of the PRC on November 19, 2021, and effective as of January 1, 2022, customs declaration entities mean consignees or consignors of imports and exports and customs declaration enterprises which have filed record with the Customs pursuant to these Provisions. Consignees or consignors of imports and exports and customs declaration enterprises applying for filing shall obtain market entity qualification; in the case of consignees or consignors of imports and exports applying for filing, they shall also complete filing formalities for foreign trade operators. The Administrative Provisions on the Registration of Customs Declaration Entities of the PRC was repealed simultaneously.

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

Labor Contract

According to the Labor Law of the PRC (《中華人民共和國勞動法》) promulgated by the SCNPC on July 5, 1994, effective on January 1, 1995 and amended on August 27, 2009 and December 29, 2018 respectively, the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) promulgated by the SCNPC on June 29, 2007, effective on January 1, 2008 and amended on December 28, 2012 and the Implementing Regulations of the Labor Contracts Law of the PRC (《中華人民共和國勞動合同法實施條例》) promulgated by the State Council on September 18, 2008, effective on the same date, labor relationships between employers and employees must be executed in written form. Wages may not be lower than the local minimum wage. Employers must establish a system for labor safety and sanitation, and strictly abide by state standards and provide relevant education to its employees. Employees are also required to work in safe and sanitary conditions.

REGULATORY OVERVIEW

Social Insurance and Housing Provident Fund

According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) promulgated by the SCNPC on October 28, 2010, recently amended and effective on December 29, 2018, the Administrative Regulations on Housing Provident Fund of the PRC (《中華人民共和國住房公積金管理條例》) recently amended by the State Council and effective on March 24, 2019 and the Provisional Regulations on Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) recently amended by the State Council and effective on March 24, 2019, a domestic enterprise shall pay premium for basic pension insurance, unemployment insurance, maternity insurance, work injury insurance, basic medical insurance and housing provident fund for its employees at an appropriate percentage based on the amounts stipulated by the laws. Employers who fail to promptly contribute social insurance premiums in full amount shall be ordered by the social insurance premium collection agency to make or supplement contributions within a stipulated period, and shall be subject to a penalty for late payment from the due date at the rate of 0.05% per day; where payment is not made within the stipulated period, the relevant administrative authorities shall impose a fine ranging from one to three times the amount of the amount in arrears.

According to the Opinions of the Office of the State Council on Comprehensively Promoting the Implementation of the Merger of Maternity Insurance and the Basic Medical Insurance for Employees (《國務院辦公廳關於全面推進生育保險和職工基本醫療保險合併實施的意見》) (Guo Ban Fa [2019]10), the State facilitates the incorporation of maternity insurance fund into basic medical insurance fund of employees for unified payment.

REGULATIONS RELATING TO INTELLECTUAL PROPERTY

Patent

According to the Patent Law of the PRC (《中華人民共和國專利法》) promulgated by the SCNPC on March 12, 1984, effective on April 1, 1985, recently amended on October 17, 2020 and effective on June 1, 2021 as well as the Implementation Regulations for the Patent Law of the PRC (《中華人民共和國專利法實施細則》) promulgated by the State Council on December 21, 1992, effective on January 1, 1993 and recently amended on January 9, 2010 and effective on February 1, 2010, inventions refer to inventions, utility models and designs. Inventions refer to new technical solutions for a product, method or its improvement. Utility models refer to new technical solutions for the shape, structure or the combination of both shape and structure of a product, which is applicable for practical use. Designs refer to new designs of the shape, pattern or the combination of shape and pattern, or the combination of the color, the shape and pattern of the whole or part of product with esthetic feeling and industrial application value. The validity period of patent for inventions is 20 years, while the validity period of patent for utility models is 10 years, and the validity period of patent for designs is 15 years, all starting from the date of application.

REGULATORY OVERVIEW

An invention-creation that is accomplished by a person in the course of performing any task for an entity to which the person belongs, or mainly by using materials or technical means of the said entity is a service invention-creation. For a service invention-creation, the right to apply for a patent belongs to the entity. After the relevant application is approved, the entity shall be the patentee. The entity may dispose of the right to apply for patents and patent rights of its invention-creation in accordance with the law and promote the implementation and utilization of the relevant invention-creation. The entity to which a patent right is granted shall reward the inventor or designer of such service invention-creation; after the implementation of the invention-creation patent, the inventor or designer shall be remunerated reasonably according to the scope of marketing and application and the economic benefits obtained. The State encourages the entities to which a patent right is granted to implement property rights incentives by way of equity, option, dividends, etc., so that inventors or designers can enjoy the proportion of profits of innovation.

Trademark

The Trademark Law of the PRC (《中華人民共和國商標法》) considered and approved by the SCNPC on August 23, 1982, effective on March 1, 1983 and recently amended on April 23, 2019 and effective on November 1, 2019, and the Implementation Rules of the Trademark Law of the PRC (《中華人民共和國商標法實施條例》) recently amended by the State Council on April 29, 2014 and effective on May 1, 2014, stipulate the application, examination and approval, renewal, alternation, transfer, use and invalidation of trademark registration, and protect the trademark rights entitled to trademark registrants. According to the aforesaid laws and regulations, the registration of a trademark shall be valid for ten years from the date of approval. If there is a continued need for the use of trademark, a renewal shall be made in accordance with requirements within 12 months before the expiry of the trademark registration. If the renewal is not made within the stipulated period, the valid period may be extended for a further period of six months. Each renewal of registration of trademark shall be valid for ten years from the date of the expiry of the previous trademark registration. A trademark registrant may license others the right to use his/her trademark by entering into a trademark license agreement.

Copyright

According to the Copyright Law of the PRC (《中華人民共和國著作權法》) considered and approved by the SCNPC on September 7, 1990, effective on June 1, 1991, recently amended on November 11, 2020 and effective on June 1, 2021, works of Chinese citizens, legal persons or unincorporated organizations, i.e. intellectual achievements in the field of literature, art and science that are original and can be expressed in a certain form, whether published or not, are entitled to copyright in accordance with the Copyright Law. Copyright includes a series of personal and property rights such as the right of publication, the right of authorship, the right of modification, the right to protect the integrity of the work and the right of reproduction.

REGULATORY OVERVIEW

According to the Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》) promulgated by the National Copyright Administration on February 20, 2002 and the Regulation on Computers Software Protection (《計算機軟件保護條例》) amended by the State Council on January 30, 2013 and effective on March 1, 2013, the National Copyright Administration is mainly responsible for the registration and management of software copyright in China and recognizes the China Copyright Protection Center as the software registration organization. The China Copyright Protection Center shall grant certificates of registration to computer software copyright applicants in compliance with the regulations of the Measures for the Registration of Computer Software Copyright and the Regulation on Computers Software Protection.

Domain Names

According to the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》) promulgated by the MIIT on August 24, 2017 and effective from November 1, 2017, the establishment of domain name root servers and domain name root server operation institutions, domain name registration management institutions and domain name registration service institutions within the territory of the PRC shall obtain permission from the MIIT or the communications administration department of the province, autonomous region or municipality directly under the Central Government. The principle of “first come, first served” applies to domain name registration service. The Notice of the Ministry of Industry and Information Technology on Regulating the Use of Domain Names in Internet Information Services (《工業和信息化部關於規範互聯網信息服務使用域名的通知》), which was promulgated by the MIIT on November 27, 2017 and came into effect on January 1, 2018, stipulates the obligations of Internet information service providers and other entities to combat terrorism and maintain network security.

REGULATIONS RELATING TO THE EIT

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) latest amended by the SCNPC and came into effect on December 29, 2018 and the Implementation Rules of the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例) latest amended by the State Council and coming into effect on April 23, 2019, an enterprise which is established within the PRC in accordance with the laws or established in accordance with any laws of foreign country (region) but with an actual management entity within the PRC shall be regarded as a resident enterprise. A resident enterprise shall be subject to an EIT of 25% of any income generated within or outside the PRC. Preferential enterprise income tax is granted to industries and projects that are supported and encouraged by the country. For high and new technology enterprises that need the support of the country are entitled to enjoy the reduced enterprise income tax rate of 15%.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

OVERVIEW

We are a leading new energy technology company in the EV battery industry. We are mainly engaged in the design, R&D, production and sales of EV batteries and ESS products. We are committed to providing high quality products and comprehensive solutions to customers. We have profound R&D capabilities, advanced manufacturing technology, rigorous quality control measures and efficient operations. In terms of installed capacity in 2021, we were the only company with over 100% year-on-year growth rate from 2019 to 2021 among the top ten EV battery companies in China according to Frost & Sullivan.^{Note}

The history of our Company can be traced back to December 8, 2015 when our Company was established as a limited liability company in Changzhou City, Jiangsu Province, the PRC, and Luoyang Company was the controlling shareholder of our Company at that time and ultimately controlled by AVIC. Luoyang Company was established in September 2009 in Luoyang City, Henan Province, the PRC, and wholly owned by the Missile Academy, which is a public institution established by AVIC. Luoyang Company is principally engaged in the design, R&D, production and sales of EV battery and ESS products. Subsequently, our Company carried out restructuring in 2019. In April 2019, Luoyang Company transferred its 30% equity interests in our Company to Chengfei Integration while making capital increases to our Company through Chengfei Integration, Jinsha Investment and Huake Investment. Upon the completion of the restructuring in July 2019, our Company became ultimately controlled by the Jintan Group.

Between August 2019 and November 2021, our Company went through a series of capital increase and brought in new Shareholders and Pre-IPO Investors. Please see the paragraph headed “Our Corporate Development” in this section for further details. On October 30, 2021, all the then Shareholders entered into a promoters’ agreement, pursuant to which our Company was converted into a joint stock liability company. On November 18, 2021, we changed our name from CALB Technology Holding Co., Ltd.* (中航鋰電科技股份有限公司) to CALB Co., Ltd. (中創新航科技股份有限公司).

OUR BUSINESS DEVELOPMENT MILESTONES

The following is a summary of our key business development milestones:

Time	Milestone
2015	Our Company was established by Jinsha Investment, Louyang Company and Huake Investment as the initial Shareholders in Changzhou City, Jiangsu Province, the PRC, in December.

Note: Entities with installed capacities of less than 0.1 GWh for two years in a row are not applied for calculating year-on-year growth rate.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Time	Milestone
2016	Jiangsu Research Institute was established in Changzhou City, Jiangsu Province, the PRC, in November.
2018	We initiated strategic restructuring and implemented strategic transformation, and focused on the passenger vehicles market in July.
2019	Xiamen Company was established in Xiamen City, Fujian Province, the PRC, in July.
2020	According to Frost & Sullivan, our installed capacity of EV batteries ranked second among third-party EV battery companies in the PRC and seventh globally among EV battery companies.
2021	<p>In April, Germany Company was established in Germany.</p> <p>In May, Shenzhen Research Institute was established in Shenzhen City, Guangdong Province, the PRC. In the same month, Chengdu Company was established in Chengdu City, Sichuan Province, the PRC.</p> <p>In June, Jiangsu Company was established in Changzhou City, Jiangsu Province, the PRC.</p> <p>In July, Wuhan Company was established in Wuhan City, Hubei Province, the PRC.</p> <p>In September, Hefei Company was established in Hefei City, Anhui Province, the PRC.</p> <p>According to Frost & Sullivan, our installed capacity of EV batteries ranked second among third-party EV battery companies in the PRC and seventh globally among EV battery companies.</p>
2022	<p>In January, Materials Company was established in Meishan City, Sichuan Province, the PRC.</p> <p>In February, Fujian Company was established in Xiamen City, Fujian Province, the PRC. In the same month, Jiangmen Company was established in Jiangmen City, Guangdong Province, the PRC.</p> <p>In April, Sichuan Company was established in Meishan City, Sichuan Province, the PRC.</p>

OUR CORPORATE DEVELOPMENT

Establishment of our Company

Our Company was established in Changzhou City, Jiangsu Province, the PRC as a limited liability company on December 8, 2015 with an initial registered capital of RMB4,000 million. Upon its establishment, our Company was owned as to 50% by Jinsha Investment, which is a company ultimately controlled by the Government of Jintan District, 30% by Luoyang Company, which is a company ultimately controlled by AVIC at that time and 20% by Huake Investment, which is a company ultimately owned by the Government of Jintan District. Pursuant to provisions of the then effective articles of association of our Company dated December 8, 2015, Luoyang Company, as a Shareholder shall be entitled to exercise 51% of the voting rights in our Company. As such, Luoyang Company (which is ultimately controlled by AVIC) had been the controlling shareholder of our Company since its date of establishment and prior to the equity transfer and capital increases in July 2019.

Major changes in shareholding and corporate form

In order to obtain the funds for our Company's development and continuously optimize the corporate governance structure, the Company has carried out a series of equity financing since its establishment, introducing new shareholders and Pre-IPO investors to our Group. The major changes in shareholding and corporate form of our Company are set out below:

Equity transfer and capital increases in July 2019

On April 22, 2019, Luoyang Company and Chengfei Integration entered into an equity transfer agreement, pursuant to which, Luoyang Company agreed to transfer its 30% equity interests in our Company to Chengfei Integration at a consideration of RMB1,094.28 million which was determined with reference to the net asset value of our Company as of June 30, 2018 as valued by an independent valuer. Such consideration was settled by Chengfei Integration by offsetting an equivalent amount payable by Luoyang Company to Chengfei Integration pursuant to a debt assignment and offset agreement entered into among Chengfei Integration, Luoyang Company and our Company on April 22, 2019 which provides, among other things (i) the consideration in the amount of RMB1,094.28 million ("**Luoyang Company Transfer Consideration**") to be paid by our Company to Chengfei Integration in respect of the acquisition of 45% equity interest in Luoyang Company shall be assigned to and borne by Luoyang Company; and (ii) the consideration to be paid by Chengfei Integration to Luoyang Company in respect of the acquisition of 30% equity interest in our Company shall be offset against the Luoyang Company Transfer Consideration. Upon completion of the above assignment and offset, our Company owed Luoyang Company an amount of RMB1,094.28 million, which has been fully settled by our Company as of the Latest Practicable Date.

Upon completion of the aforesaid equity transfer in July 2019, our Company was owned as to 50% by Jinsha Investment, 30% by Chengfei Integration and 20% by Huake Investment, respectively.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

On April 22, 2019, our Company entered into a capital increase agreement with Chengfei Integration, Jinsha Investment and Huake Investment, pursuant to which, each of Chengfei Integration, Jinsha Investment and Huake Investment agreed to subscribe for certain amount of the increased registered capital of our Company, further details of which are set out in the table below:

Name of Shareholders	The amount of increased registered capital subscribed for (RMB million)	Percentage of the increased registered capital of our Company (%)	Form of capital contribution	Consideration (RMB million)
Chengfei Integration	408.29	9.10	18.98% equity interests in Luoyang Company and 35% equity interests in Jiangsu Research Institute	514.44
Jinsha Investment	51.33	1.14	9.38% equity interests in Luoyang Company	228.09
Huake Investment	27.68	0.62	65% equity interests in Jiangsu Research Institute	98.39
Total	487.30			840.93

The considerations in respect of the aforementioned capital increases were determined after arm's length negotiation among the parties with reference to the net asset value of our Company, Jiangsu Research Institute and Luoyang Company respectively as of 30 June, 2018 as valued by an independent valuer and taking into account of the individual circumstances of each of the subscribers including its background and relationship with our Company.

Our Company completed the registration with the Administration for Market Regulation of Jintan District (金壇區市場監督管理局) ("Jintan AMR") in respect of the abovementioned equity transfer and capital increases on July 1, 2019. Upon completion, the registered capital of our Company was increased from RMB4,000.00 million to approximately RMB4,487.30 million and our Company was owned as to 45.71% by Jinsha Investment, 35.84% by Chengfei Integration and 18.45% by Huake Investment, respectively. According to the then effective articles of association of our Company, after the abovementioned equity transfer and capital increases, the Shareholders shall exercise the voting rights in our Company in proportion to their respective shareholding percentage in our Company. Consequently, our Company became ultimately controlled by the Jintan Group.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Capital increases in August 2019 (introduction of Lihang Jinzhi and Jinyuan Industry as our Pre-IPO Investors)

On July 29, 2019, Jinsha Investment, Chengfei Integration, Huake Investment, Lihang Jinzhi, Jinyuan Industry and our Company entered into a capital increase agreement, pursuant to which, Lihang Jinzhi agreed to subscribe for the increased registered capital of RMB1,509.55 million at the consideration of RMB1,510 million, and Jinyuan Industry agreed to subscribe for the increased registered capital of RMB399.88 million at the consideration of RMB400 million. The amounts of RMB452,864 and RMB119,864 in excess of the registered capital respectively were included in our Company's capital reserve. The considerations in respect of the aforementioned capital increases were determined after arm's length negotiation among the parties with reference to the net asset value of our Company as of 30 June, 2018 as valued by an independent valuer. All the funds for capital increase from Jinyuan Industry were received by our Company in July 2019 and all the funds for capital increase from Lihang Jinzhi were received by our Company in July and December 2019, respectively. For further details of investment made by Lihang Jinzhi and Jinyuan Industry as our Pre-IPO Investors, please see "Pre-IPO Investments" in this section.

Our Company completed the registration with Jintan AMR in respect of the abovementioned capital increases on August 14, 2019. Upon completion of such capital increases, the registered capital of our Company was increased from approximately RMB4,487.30 million to approximately RMB6,396.73 million. The shareholding structure of our Company after completion of capital increase is shown in the table below:

Name of Shareholders	Registered capital held in our Company (RMB million)	Approximate equity interests percentage in our Company (%)
Jinsha Investment	2,051.33	32.07
Chengfei Integration	1,608.29	25.14
Huake Investment	827.68	12.94
Lihang Jinzhi <i>(Notes 1 & 2)</i>	1,509.55	23.60
Jinyuan Industry <i>(Note 1)</i>	399.88	6.25
Total	6,396.73	100

Notes:

1. Lihang Jinzhi is controlled by Jinyuan Industry according to its partnership agreement, therefore Jinyuan Industry will directly and indirectly hold 29.85% equity interests in our Company after completion of the capital increases in August 2019.
2. Lihang Jinzhi (being one of our Pre-IPO Investors) is a limited partnership jointly established by Jinyuan Industry and Xiamen Lihang Equity Investment which subscribed for approximately 99.34% and 0.66% of Lihang Jinzhi's capital, respectively. The executive partner of Lihang Jinzhi is Xiamen Lihang Equity Investment, which is one of our Employee Shareholding Platforms established for the purpose of the implementation of the 2019 Share Incentive Scheme. For further details of the 2019 Share Incentive Scheme, please see "Statutory and General Information – 5. Share Incentive Schemes – A. 2019 Share Incentive Scheme" in Appendix VI to this prospectus.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Capital increase in March 2020 (introduction of Jinyuan Investment as one of our Pre-IPO Investors)

On January 20, 2020, our Company entered into a capital increase agreement with Jinsha Investment, Chengfei Integration, Huake Investment, Lihang Jinzhi, Jinyuan Industry and Jinyuan Investment, pursuant to which, Jinyuan Investment (a company controlled by the Finance Bureau of Xiamen City* (廈門市財政局)) agreed to subscribe for the increased registered capital of approximately RMB599.82 million at the consideration of RMB600 million, the amount of RMB179,946 exceeding the increased registered capital was included in our Company's capital reserve. The consideration in respect of the aforementioned capital increase was determined after arm's length negotiation among the parties with reference to the net asset value of our Company as of 30 June, 2018 as valued by an independent valuer. The fund for aforesaid capital increase from Jinyuan Investment was received by our Company in January 2020. Please see "Pre-IPO Investments" in this section for further details of Jinyuan Investment and its Pre-IPO Investment.

Our Company completed the registration with Jintan AMR in respect of the abovementioned capital increases on March 16, 2020. Upon completion, the registered capital of our Company was increased from approximately RMB6,396.73 million to approximately RMB6,996.55 million. The shareholding structure of our Company after completion of the capital increase is shown in the table below:

Name of Shareholders	Registered capital held by our Company (RMB million)	Approximate equity interests percentage in our Company (%)
Jinsha Investment	2,051.33	29.32
Chengfei Integration	1,608.29	22.99
Huake Investment	827.68	11.83
Lihang Jinzhi ^(Notes 1 & 2)	1,509.55	21.58
Jinyuan Industry ^(Note 1)	399.88	5.72
Jinyuan Investment ^(Note 1)	599.82	8.57
Total	6,996.55	100

Notes:

- Both Lihang Jinzhi and Jinyuan Industry are actually controlled by Jinyuan Investment, and therefore Jinyuan Investment will indirectly and directly hold 35.87% equity interest in our Company after completion of the capital increase in March 2020.
- Lihang Jinzhi (being one of our Pre-IPO Investors) is a limited partnership jointly established by Jinyuan Industry and Xiamen Lihang Equity Investment which subscribed for approximately 99.34% and 0.66% of Lihang Jinzhi's capital, respectively. The executive partner of Lihang Jinzhi is Xiamen Lihang Equity Investment, which is one of our Employee Shareholding Platforms established for the purpose of the implementation of the 2019 Share Incentive Scheme. For further details of the 2019 Share Incentive Scheme, please see "Statutory and General Information – 5. Share Incentive Schemes – A. 2019 Share Incentive Scheme" in Appendix VI to this prospectus.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Capital increases in December 2020

1. Capital increases by Jinsha Investment and Huake Engineering

On November 13, 2020, our Company and all original shareholders of our Company entered into a capital increase agreement with Jinsha Investment, pursuant to which, Jinsha Investment agreed to subscribe for the increased registered capital of approximately RMB631.50 million at the consideration of RMB650 million which was settled by Jinsha Investment by offsetting the loan in the amount of RMB650 million granted to our Company by Jinsha Investment. The value of the aforesaid loan was determined with reference to the valuation by an independent valuer.

On the same day, our Company and all original shareholders of our Company entered into a capital increase agreement with Huake Engineering, pursuant to which, Huake Engineering, a company ultimately controlled by the Government of Jintan District, agreed to subscribe for the increased registered capital of approximately RMB1,049.79 million at the consideration of approximately RMB1,080.55 million. Such consideration was settled by Huake Engineering by transferring non-monetary assets (comprising land, buildings and equipment) to our Company. The value of aforesaid non-monetary assets were determined with reference to the valuation by an independent valuer.

2. Introduction of 17 new Pre-IPO Investors

From November 10, 2020 to December 14, 2020, our Company, Jinsha Investment, Chengfei Integration, Lihang Jinzhi, Huake Investment, Jinyuan Industry and Jinyuan Investment entered into capital increase agreements with 17 Pre-IPO Investors, pursuant to which, such 17 Pre-IPO Investors agreed to subscribe for the total increased registered capital of approximately RMB3,886.14 million of our Company at an aggregate consideration of approximately RMB4,000 million. Please see “Pre-IPO Investments” in this section for further details of Pre-IPO Investments.

3. Capital increases by 11 Employee Shareholding Platforms

On November 19, 2020, our Company together with Jinsha Investment, Chengfei Integration, Lihang Jinzhi, Huake Investment, Jinyuan Industry and Jinyuan Investment entered into capital increase agreements with 11 Employee Shareholding Platforms respectively, pursuant to which, 11 Employee Shareholding Platforms agreed to subscribe for the total increased registered capital of approximately RMB204.80 million of our Company at an aggregate consideration of approximately RMB210.80 million. For further details, please see “Statutory and General Information – 5. Share Incentive Schemes – B. 2020 Share Incentive Scheme” in Appendix VI to this prospectus.

The considerations in respect of the capital increases in December 2019 were determined with reference to the consideration paid by Jinyuan Investment for subscription of our increased registered capital in March 2020 as revised by a premium agreed by the parties. The funds for aforesaid capital increases were received by our Company in January 2021 (among which the total amount of approximately RMB5,772.22 million was increased registered capital and RMB169.13 million was included in the capital reserve of our Company).

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Our Company completed the registration with Jintan AMR in respect of the abovementioned capital increases on December 15, 2020. Upon completion, the registered capital of our Company was increased from approximately RMB6,996.55 million to approximately RMB12,786.77 million and the shareholding structure of our Company after completion of the capital increase is set forth in the table below:

Shareholders	Registered capital held in our Company (RMB million)	Approximate equity interests percentage in our Company (%)
Jinsha Investment	2,682.83	21.01
Chengfei Integration	1,608.29	12.60
Huake Engineering	1,049.79	8.22
Huake Investment	827.68	6.48
Pre-IPO Investors ^(Notes 1 & 3)	6,395.38	50.08
Employee Shareholding Platforms ^(Notes 2 & 3)	204.80	1.61
Total	12,768.77	100

Notes:

- Upon the completion of the capital increases in December 2020, there were a total of 20 Pre-IPO Investors, including Lihang Jinzhi, Guangqi Ruidian, Jinyuan Investment, China Insurance Investment Advanced Manufacturing, Jinyuan Industry, Hongshan Kaichen, Guolian Tongjin, Chenyi Pengqi, China Insurance Investment No.1 New Energy, Xiaomi Yangtze River Industry, Link Cornerstone, Ma'anshan Cornerstone, Jinli Investment, Guolian Tongwu, Guolian Tongkun, China Insurance Investment No. 2 New Energy, China Insurance Investment Strategic Emerging, Ma'anshan Shengtuo, Getian Star and Huaxian Automobile, which held approximately 11.82%, 5.33%, 4.70%, 4.34%, 3.13%, 3.04%, 2.94%, 2.62%, 2.36%, 2.28%, 1.37%, 1.11%, 1.07%, 0.89%, 0.86%, 0.76%, 0.76%, 0.30%, 0.26% and 0.15% of the equity interest in our Company, respectively.
- Upon the completion of the capital increases in December 2020, Xiamen Lihang Kaibo No. 1, Changzhou Lihang Kaibo No. 1, Changzhou Lihang Kaibo No. 2, Changzhou Lihang Kaibo No. 3, Changzhou Lihang Kaibo No. 4, Changzhou Lihang Kaibo No. 5, Changzhou Lihang Kaibo No. 6, Changzhou Lihang Kaibo No. 7, Changzhou Lihang Kaibo No. 8, Changzhou Lihang Kaibo No. 9 and Changzhou Lihang Kaibo No. 10, (being our Employee Shareholding Platforms) held approximately 0.48%, 0.14%, 0.11%, 0.09%, 0.11%, 0.20%, 0.13%, 0.05%, 0.17%, 0.07% and 0.06% of the equity interest in our Company, respectively.
- Lihang Jinzhi (being one of our Pre-IPO Investors) is a limited partnership jointly established by Jinyuan Industry and Xiamen Lihang Equity Investment which subscribed for approximately 99.34% and 0.66% of Lihang Jinzhi's capital, respectively. The executive partner of Lihang Jinzhi is Xiamen Lihang Equity Investment, which is one of our Employee Shareholding Platforms established for the purpose of the implementation of the 2019 Share Incentive Scheme. For further details of the 2019 Share Incentive Scheme, please see "Statutory and General Information – 5. Share Incentive Schemes – A. 2019 Share Incentive Scheme" in Appendix VI to this prospectus.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Equity transfer in October 2021 (introduction of Chuanghe Xincai as one of our Pre-IPO Investors)

On October 15, 2021, Jinyuan Investment entered into an equity transfer agreement with Chuanghe Xincai, pursuant to which, Jinyuan Investment agreed to transfer its approximately 1.57% equity interests in our Company to Chuanghe Xincai at a consideration of approximately RMB213.35 million. The consideration of such equity transfer was determined after arm's length negotiation by Jinyuan Investment and Chuanghe Xincai based on Jinyuan Investment's principal amount of investment plus the income based on the one-year overall loan prime rate published by the People's Bank of China, and was paid by Chuanghe Xincai to Jinyuan Investment on October 15, 2021 in cash. Please see "Pre-IPO Investments" in the section for details of Chuanghe Xincai and its Pre-IPO investment.

Our Company completed the registration with Jintan AMR in respect of the abovementioned equity transfer on October 19, 2021. Upon completion, the shareholding structure of our Company is set forth in the table below:

Shareholders	Registered capital held by our Company (RMB million)	Approximate percentage of equity in our Company (%)
Jinsha Investment	2,682.83	21.01
Chengfei Integration	1,608.29	12.60
Huake Engineering	1,049.79	8.22
Huake Investment	827.68	6.48
Pre-IPO Investors ^(Notes 1 & 3)	6,395.38	50.08
Employee Shareholding Platforms ^(Notes 2 & 3)	204.80	1.61
Total	12,768.77	100

Notes:

- After the completion of the equity transfer in October 2021, there were 21 Pre-IPO Investors in total including Lihang Jinzhi, Guangqi Ruidian, Jinyuan Investment, China Insurance Investment Advanced Manufacturing, Jinyuan Industry, Hongshan Kaichen, Guolian Tongjin, Chenyi Pengqi, China Insurance Investment No. 1 New Energy, Xiaomi Yangtze River Industry, Link Cornerstone, Ma'anshan Cornerstone, Jinli Investment, Guolian Tongwu, Guolian Tongkun, China Insurance Investment No. 2 New Energy, China Insurance Investment Strategic Emerging, Ma'anshan Shengtuo, Getian Star, Huaxian Automobile and Chuanghe Xincai, which held approximately 11.82%, 5.33%, 3.13%, 4.34%, 3.13%, 3.04%, 2.94%, 2.62%, 2.36%, 2.28%, 1.37%, 1.11%, 1.07%, 0.89%, 0.86%, 0.76%, 0.76%, 0.30%, 0.26%, 0.15% and 1.57% of the equity interest in our Company, respectively.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

2. After the completion of the capital increase in November 2020, Xiamen Lihang Kaibo No. 1, Changzhou Lihang Kaibo No. 1, Changzhou Lihang Kaibo No. 2, Changzhou Lihang Kaibo No. 3, Changzhou Lihang Kaibo No. 4, Changzhou Lihang Kaibo No. 5, Changzhou Lihang Kaibo No. 6, Changzhou Lihang Kaibo No. 7, Changzhou Lihang Kaibo No. 8, Changzhou Lihang Kaibo No. 9, Changzhou Lihang Kaibo No. 10 (being our Employee Shareholding Platforms), held approximately 0.48%, 0.14%, 0.11%, 0.09%, 0.11%, 0.20%, 0.13%, 0.05%, 0.17%, 0.07% and 0.06% of the equity interest in our Company, respectively.
3. Lihang Jinzhi (being one of our Pre-IPO Investors) is a limited partnership jointly established by Jinyuan Industry and Xiamen Lihang Equity Investment which subscribed for approximately 99.34% and 0.66% of Lihang Jinzhi's capital, respectively. The executive partner of Lihang Jinzhi is Xiamen Lihang Equity Investment, which is one of our Employee Shareholding Platforms established for the purpose of the implementation of the 2019 Share Incentive Scheme. For further details of the 2019 Share Incentive Scheme, please see "Statutory and General Information – 5. Share Incentive Schemes – A. 2019 Share Incentive Scheme" in Appendix VI to this prospectus.

Reduction of registered capital and conversion to a joint stock limited company

On July 7, 2021, all of our then Shareholders passed a resolution to approve the reduction of our registered capital from RMB12,768.77 million to RMB1,200 million.

On October 29, 2021, all our then Shareholders passed resolutions approving, among other matters, the conversion of our Company from a limited liability company into a joint stock limited company.

Pursuant to the promoters' agreement dated October 30, 2021 entered into by all the then Shareholders, all promoters approved the conversion of the net assets value of our Company as of April 30, 2021 into 1,200,000,000 Shares. On October 30, 2021, our Company convened our inaugural meeting and our first general meeting. Upon completion of the conversion, the registered capital of our Company was RMB1,200 million divided into 1,200,000,000 Shares with a nominal value of RMB1.00 each, which were subscribed by all the then Shareholders in proportion to their respective equity interests in our Company before the conversion. The conversion was completed on November 10, 2021.

Capital Increase in November 2021

1. Capital increase by Jintan International

On August 16, 2021, our Company entered into a capital increase agreement with Jintan International, pursuant to which, Jintan International agreed to subscribe for 24,000,000 Shares at a consideration of RMB1,000 million, with a premium of RMB976 million included in the capital reserve of our Company. The funds for capital increase were received by our Company by December 2021 from Jintan International.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Pursuant to the capital increase agreement entered into between Jintan International and our Company, Jintan International is not allowed to sell any of its Shares within a period of 36 months from the date on which the registration with the local industry and commerce department in respect of the capital increase has been completed, unless the lock-up period of Jintan International, as required by the relevant laws, regulations or securities authority, is terminated after our Listing. In accordance with the applicable PRC laws, Jintan International is not allowed to sell any of its Shares within 12 months after the Listing.

2. Capital increase by Xiamen Jinli No. 2 as our Pre-IPO Investor

On August 19, 2021, our Company entered into a capital increase agreement with Xiamen Jinli No. 2, pursuant to which, Xiamen Jinli No. 2 agreed to subscribe for 24,000,000 Shares at a consideration of RMB1,000 million, with a premium of RMB976 million included in the capital reserve of our Company. The funds for capital increase were received by our Company on August 24, 2021.

3. Further capital increase by Xiaomi Yangtze River Industry and Chuanghe Xincai as Pre-IPO investors

On July 27, 2021, our Company entered into a capital increase agreement with Xiaomi Yangtze River Industry, pursuant to which, Xiaomi Yangtze River Industry agreed to subscribe for 12,000,000 Shares at a consideration of RMB500 million, with a premium of RMB488 million included in the capital reserve of our Company. The funds for aforesaid capital increase were received by our Company by August 6, 2021. Please see “Pre-IPO Investments” in this section for further details of the Pre-IPO Investment by Xiaomi Yangtze River Industry.

On July 26, 2021, our Company entered into a capital increase agreement with Chuanghe Xincai, pursuant to which, Chuanghe Xincai agreed to subscribe for 7,200,000 Shares at a consideration of RMB300 million, with a premium of RMB292.8 million included in the capital reserve of our Company. The funds for aforesaid capital increase were received by our Company by August 9, 2021. Please see “Pre-IPO Investments” in this section for further details of the Pre-IPO Investment by Chuanghe Xincai.

4. Introduction of 18 other new Pre-IPO Investors

Between July 25, 2021 and August 23, 2021, our Company entered into capital increase agreements with 18 other new Pre-IPO Investors, pursuant to which, such 18 Pre-IPO Investors agreed to subscribe for a total of 212,157,600 Shares at an aggregate consideration of approximately RMB8,839.9 million with a premium of RMB8,627.74 million included in the capital reserve of our Company. The funds for aforesaid capital increase were received by our Company by October 2021. Please see “Pre-IPO Investments” in this section for further details of the background of such 18 Pre-IPO Investors and their respective Pre-IPO Investments.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

5. *Capital increase by Changzhou Lihang Kaibo No. 11 as a new Employees Shareholding Platform*

On September 1, 2021, our Company entered into a capital increase agreement with Changzhou Lihang Kaibo No. 11, pursuant to which, Changzhou Lihang Kaibo No. 11 agreed to subscribe for 8,642,400 Shares at a consideration of RMB360.10 million, with a premium of RMB351.4576 million included in the capital reserve of our Company. The funds for aforesaid capital increase were received by our Company by September 6, 2021. For further details, please see “Statutory and General Information – 5. Share Incentive Schemes – C. 2021 Share Incentive Scheme” of Appendix VI to this prospectus.

The considerations in respect of the aforementioned capital increases in November 2021 were determined after arm’s length negotiation among the parties with reference to the net asset value of our Company as of December 31, 2020 as valued by an independent valuer.

6. *Capital increases by Luoyang Company Minority Shareholders*

On October 15, 2021, our Company entered into the capital increase agreements with Shunying Investment, Zhongguancun Guosheng, Aviation Investment and Hongdu Airline, and on October 20, 2021, our Company entered into a capital increase agreement with the Missile Academy, pursuant to which, each of Luoyang Company Minority Shareholders subscribed for a total of 18,456,558 Shares. Details of which are as follows:

Name of Shareholder	Number of Shares subscribed	Amount included in capital reserve (RMB million)	Form of capital contribution	Consideration (RMB million)
Missile Academy	9,809,589	398.92	13.62% equity interests in Luoyang Company	408.73
Shunying Investment	3,481,314	141.57	4.84% equity interests in Luoyang Company	145.05
Zhongguancun Guosheng	2,150,116	87.44	2.99% equity interests in Luoyang Company	89.59

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Name of Shareholder	Number of Shares subscribed	Amount included in capital reserve (RMB million)	Form of capital contribution	Consideration (RMB million)
Aviation Investment	1,634,931	66.49	2.27% equity interests in Luoyang Company	68.12
Hongdu Airline	1,380,608	56.14	1.92% equity interests in Luoyang Company	57.53
Total	18,456,558	750.57	25.63% equity interests in Luoyang Company	769.02

Pursuant to the respective capital increase agreement entered into between our Company and each of the Luoyang Company Minority Shareholders is not allowed to sell any of its Shares within a period of 36 months from the date on which the registration with the local industry and commerce department in respect of the capital increase has been completed, unless the lock-up period of the Luoyang Company Minority Shareholders, as required by the relevant laws, regulations or securities authority, is terminated after our Listing. Further, in accordance with the applicable PRC laws, the Luoyang Company Minority Shareholders are not allowed to sell any of their Shares within 12 months after the Listing.

The considerations in respect of the aforementioned capital increases were determined after arm's length negotiation among the parties with reference to the net asset value of our Company and Luoyang Company as of December 31, 2020, respectively, as valued by an independent valuer. For further details on the transfer of a total of 25.63% equity interests in Luoyang Company by Luoyang Company Minority Shareholders to our Company, please see "Acquisition and Disposal of Luoyang Company" in the section.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Our Company completed the registration with Changzhou Administration Approval Bureau* (常州市行政审批局) in respect of the abovementioned equity transfer on November 12, 2021. Upon completion, the share capital of our Company was increased to approximately RMB1,506.46 million divided into 1,506,456,558 Shares, and the shareholding structure of our Company is set forth in the table below:

Shareholders	Number of Shares held	Approximate shareholding percentage in our Company (%)
Jinsha Investment ^(Note 1)	252,130,281	16.74
Chengfei Integration	151,145,867	10.03
Huake Engineering ^(Note 1)	98,658,313	6.55
Huake Investment ^(Note 1)	77,785,163	5.16
Jintan International ^(Note 1)	24,000,000	1.59
Pre-IPO Investors ^(Notes 2 & 4 & 5)	856,391,079	56.85
Employee Shareholding Platforms ^(Notes 3 & 4)	27,889,297	1.85
Luoyang Company Minority Shareholders ^(Note 6)	18,456,558	1.23
Total	1,506,456,558	100

Notes:

1. Jinsha Investment is wholly owned by Jintan Holding, which is controlled by the Government of Jintan District. Each of Huake Engineering and Huake Investment is wholly owned by Jintan Hualuogeng, which is owned as to 90% by Jinsha Investment. Jintan International is a company ultimately controlled by the Government of Jintan District.
2. Please see “Pre-IPO Investments” in this section for further details of our Pre-IPO Investors and their respective investment in our Company.
3. Upon the completion of the capital increase in November 2021, Changzhou Lihang Kaibo No. 11, Xiamen Lihang Kaibo No. 1, Changzhou Lihang Kaibo No. 1, Changzhou Lihang Kaibo No. 2, Changzhou Lihang Kaibo No. 3, Changzhou Lihang Kaibo No. 4, Changzhou Lihang Kaibo No. 5, Changzhou Lihang Kaibo No. 6, Changzhou Lihang Kaibo No. 7, Changzhou Lihang Kaibo No. 8, Changzhou Lihang Kaibo No. 9 and Changzhou Lihang Kaibo No. 10 (being our Employee Shareholding Platforms), held approximately 0.57%, 0.38%, 0.11%, 0.09%, 0.07%, 0.08%, 0.16%, 0.11%, 0.04%, 0.13%, 0.06% and 0.05% of the equity interests in our Company, respectively.
4. Lihang Jinzhi (being one of our Pre-IPO Investors) is a limited partnership jointly established by Jinyuan Industry and Xiamen Lihang Equity Investment which subscribed for approximately 99.34% and 0.66% of Lihang Jinzhi’s capital, respectively. The executive partner of Lihang Jinzhi is Xiamen Lihang Equity Investment, which is one of our Employee Shareholding Platforms established for the purpose of the implementation of the 2019 Share Incentive Scheme. For further details of the 2019 Share Incentive Scheme, please see “Statutory and General Information – 5. Share Incentive Schemes – A. 2019 Share Incentive Scheme” in Appendix VI to this prospectus.

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5. Xiamen Jinli No.2 (being one of our Pre-IPO Investors) is a limited partnership with Xiamen City Jinyuan Equity Investment Co., Ltd* (廈門市金圓股權投資有限公司) (“**Jinyuan Equity Investment**”) being its general partner. Jinyuan Equity Investment is ultimately controlled by Jinyuan Investment. For the information in respect of the interests held by Jinyuan Investment, please see the section headed “Substantial Shareholders” for further details.
6. As the Luoyang Company Minority Shareholders were the then shareholders of Luoyang Company which was a subsidiary of our Company prior to its disposal in November 2021, the Luoyang Company Minority Shareholders had interest in our Group since their respective investment in Luoyang Company and become Shareholders of our Company as part of our internal restructuring and are therefore not treated as our Pre-IPO Investors.

Change of Company Name in November 2021

On November 16, 2021, our then Shareholders passed a resolution to approve the change our Company name to CALB Co., Ltd. (中創新航科技股份有限公司). The change of our name was completed on November 18, 2021.

SUBSIDIARIES OF OUR COMPANY

Our Company adopts the integrated management and operation model within our Group and the management of our subsidiaries was conducted by our senior management team (including our executive Directors), whereby the management decisions with respect to overall strategic planning, business operation, financial management, internal control and human resources, etc. which are formulated by our senior management team (including our executive Directors) are executed at both Group and subsidiary levels.

As of the Latest Practicable Date, our Group had 12 subsidiaries, the details of which are as follows:

Jiangsu Research Institute

Jiangsu Research Institute was established in Changzhou City, Jiangsu Province, the PRC as a limited liability company on November 8, 2016 with an initial registered capital of RMB55 million. The registered capital of Jiangsu Research Institute was subsequently increased to RMB1.0 billion on July 22, 2021. Upon its establishment, Jiangsu Research Institute was owned as to 65% by Jintan Hualuogeng, a company owned as to 90% by Jintan Holding and ultimately controlled by the Government of Jintan District, and 35% by Chengfei Integration. Subsequently, Jiangsu Research Institute carried out a series of equity transfers. Prior to the acquisition of all of its equity interest by our Company in April 2019, Jiangsu Research Institute was owned as of 65% and 35% by Huake Investment and Chengfei Integration, respectively.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

On April 22, 2019, Chengfei Integration, Jinsha Investment and Huake Investment and our Company entered into a capital increase agreement, pursuant to which, among others, (i) Chengfei Integration agreed to subscribe for certain amount of the increased registered capital of our Company, which was partially settled by Chengfei Integration by transferring its 35% equity interests in Jiangsu Research Institute to our Company; and (ii) Huake Investment agreed to subscribe for certain amount of the increased registered capital of our Company, which was settled by Huake Investment transferring its 65% equity interests in Jiangsu Research Institute to our Company.

Jiangsu Research Institute completed the registration with Jintan AMR in respect of the abovementioned equity transfers on July 1, 2019. Upon completion, Jiangsu Research Institute became a wholly-owned subsidiary of our Company. For further details in respect of the capital increases of our Company, please see “Equity transfer and capital increases in July 2019” in this section.

Jiangsu Research Institute is principally engaged in the R&D of EV battery and ESS products.

Xiamen Company

Xiamen Company was established in Xiamen City, Fujian Province, the PRC as a limited liability company on July 15, 2019 with a registered capital of RMB5 billion. Upon its establishment and up to the Latest Practicable Date, Xiamen Company is a wholly-owned subsidiary of our Company.

Xiamen Company is principally engaged in the R&D, production and sales of EV battery and ESS products.

Shenzhen Research Institute

Shenzhen Research Institute was established in Shenzhen City, Guangdong Province, the PRC as a limited liability company on May 28, 2021 with a registered capital of RMB100 million. Upon its establishment and up to the Latest Practicable Date, Shenzhen Research Institute is a wholly-owned subsidiary of our Company.

Shenzhen Research Institute is principally engaged in the R&D of EV battery and ESS products.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Chengdu Company

Chengdu Company was established in Chengdu City, Sichuan Province, the PRC as a limited liability company on May 29, 2021 with a registered capital of RMB2.0 billion. The registered capital of Chengdu Company was subsequently increased to RMB4.0 billion on July 5, 2022. Upon its establishment and up to the Latest Practicable Date, Chengdu Company was held as to 51% and 49% by our Company and Chengdu Heavy Industry Longjin, respectively.

Pursuant to an agreement dated May 25, 2021 entered into between our Company and Chengdu Economic and Technological Development Zone Management Committee* (成都經濟技術開發區管理委員會) and the investment agreement dated 29 May, 2021 entered into between our Company and Chengdu Heavy Industry Longjin, our Company agreed to acquire the entire interest held by Chengdu Heavy Industry Longjin in Chengdu Company within seven years from the date of establishment of Chengdu Company (the “**Chengdu Company Put Option**”). The exercise price of Chengdu Company Put Option shall be determined based on the appraised value of Chengdu Company as valued by the valuation institution recognized by both parties and filed with the State-owned assets supervision and administration department or the investment amount paid by Chengdu Heavy Industry Longjin for its entire interest in Chengdu Company (whichever is the higher). Such Chengdu Company Put Option will be terminated automatically and of no effect on the date when our Company submits our listing application for the listing of our Shares on any domestic or foreign stock exchange. If subsequently our Company withdraws our listing application or our listing application is not approved, such Chengdu Company Put Option will be automatically restored. The aforesaid agreements do not provide for the exact long stop date by which the non-approval of our Company’s listing application would trigger the restoration of the Chengdu Company Put Option. The applicable accounting policy for Chengdu Company Put Option is set out in note 4(t) to the Accountant’s Report in Appendix I to this prospectus.

Chengdu Company is principally engaged in the R&D, production and sales of EV battery and ESS products.

Jiangsu Company

Jiangsu Company was established in Changzhou City, Jiangsu Province, the PRC as a limited liability company on June 23, 2021 with a registered capital of RMB6 billion. Upon its establishment and up to the Latest Practicable Date, Jiangsu Company was a wholly-owned subsidiary of our Company.

The principal business of Jiangsu Company is the R&D, production and sales of EV battery and ESS products.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Wuhan Company

Wuhan Company was established in Wuhan City, Hubei Province, the PRC as a limited liability company on July 15, 2021 with a registered capital of RMB2.5 billion. The registered capital of Wuhan Company was subsequently increased to RMB5.0 billion on June 2, 2022. Upon its establishment and up to the Latest Practicable Date, Wuhan Company was held as to 51% and 49% by our Company and Wuhan Jingkai Investment, respectively.

Pursuant to an agreement dated May 25, 2021 entered into between our Company and Wuhan Economic and Technological Development Zone Management Committee* (武漢經濟技術開發區管理委員會), our Company agreed to acquire the entire interest held by Wuhan Jingkai Investment in Wuhan Company within five years from the date of establishment of Wuhan Company (the “**Wuhan Company Put Option**”). Such Wuhan Company Put Option will be terminated automatically and of no effect on the date when our Company submits our listing application for the listing of our Shares on any domestic or foreign stock exchange. If subsequently our Company withdraws our listing application or our listing application is not approved, such Wuhan Company Put Option will be automatically restored. The aforesaid agreements do not provide for the exact long stop date by which the non-approval of our Company’s listing application would trigger the restoration of the Wuhan Company Put Option. The applicable accounting policy for Wuhan Company Put Option is set out in note 4(t) to the Accountant’s Report in Appendix I to this prospectus.

Wuhan Company is principally engaged in the R&D, production and sales of EV battery and ESS products.

Hefei Company

Hefei Company was established in Hefei City, Anhui Province, the PRC as a limited liability company on September 25, 2021 with a registered capital of RMB2.5 billion. The registered capital of Hefei Company was subsequently increased to RMB5.0 billion on August 22, 2022. Upon its establishment and up to the Latest Practicable Date, Hefei Company was held as to 20% and 80% by our Company and Hefei Beicheng Investment, respectively. Pursuant to the voting rights entrustment agreement and concerted action agreement entered into between our Company and the Hefei Beicheng Investment on September 25, 2021, Hefei Beicheng Investment agreed to entrust the voting rights of 31% of Hefei Company to our Company, for a period of seven years from the date of the aforementioned agreements. In addition, according to the articles of association of Hefei Company, the board of directors of Hefei Company shall comprise three directors, of which our Company has the right to nominate two directors and the Hefei Beicheng Investment has the right to nominate one director. In view of the above entrustment arrangement (the “**Entrustment Arrangement**”), our Company has more than 50% of the voting rights in Hefei Company and controls the board of directors of Hefei Company. Therefore, Hefei Company is regarded as a subsidiary of our Company and its finances are consolidated into the accounts of our Company.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

The Entrustment Arrangement was the agreement reached by our Company and Hefei Beicheng Investment upon commercial negotiation for the reasons set out below: (a) Hefei Company was jointly established by the local government and our Company in Hefei City with an aim of the local government to develop the industry chain of new energy industries, drive the development of local industries and to bring economic benefit to the local area. The establishment of Hefei Company is also beneficial to our Company given that the production capacity of our Group can be further expanded; and (b) Hefei Beicheng Investment, being the direct shareholder of Hefei Company, is an investment company, which was established to represent the local government for its investment and undertake the investment projects. Hefei Beicheng Investment thus has limited management experience and industry knowledge relating to the EV batteries and ESS products. Through the Entrustment Arrangement, our Company, which is a leading new energy technology company with proven track record, and extensive management experience and technological know-hows, will contribute substantially to the promising development of Hefei Company.

Pursuant to an agreement dated September 25, 2021 entered into between our Company and the Government of Changfeng County (長豐縣人民政府), our Company agreed to acquire the entire interest held by Hefei Beicheng Investment in Hefei Company within seven years from the date of establishment of Hefei Company (the “**Hefei Company Put Option**”). The exercise price of Hefei Company Put Option shall be determined based on the appraised value as valued by the valuation institution recognized by both parties and filed with the state-owned assets supervision and administration department or the investment amount paid by Hefei Beicheng Investment for its entire interest in Hefei Company plus an annual rate of return of 6%. Such Hefei Company Put Option will be terminated automatically and of no effect on the date when our Company submits our listing application for the listing of our Shares on any domestic or foreign stock exchange. If subsequently our Company withdraws our listing application or our listing application is not approved, such Hefei Company Put Option will be automatically restored. The aforesaid agreements do not provide for the exact long stop date by which the non-approval of our Company’s listing application would trigger the restoration of the Hefei Company Put Option. The applicable accounting policy for Hefei Company Put Option is set out in note 4(t) to the Accountant’s Report in Appendix I to this prospectus.

Our Company confirms that, other than their co-investments in Hefei Company, there is no any past or present relationships (business, trust, financing or otherwise) between our Company and Hefei Beicheng Investment, their respective subsidiaries, shareholders, directors, senior management or any of their associates. Our Company further confirms that save as disclosed in this prospectus, there is no side arrangement between Hefei Beicheng Investment and our Company.

Hefei Company is principally engaged in the R&D, production and sales of EV battery and ESS products.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Materials Company

Materials Company was established in Meishan City, Sichuan Province, the PRC as a limited liability company on January 26, 2022 with registered capital of RMB50 million. The registered capital of Materials Company was subsequently increased to RMB600 million on July 12, 2022. Upon its establishment and up to the Latest Practicable Date, Materials Company was a wholly-owned subsidiary of our Company.

The principal business of Materials Company is the R&D, production and sales of EV battery materials.

Germany Company

Germany Company was established as a limited liability company in Germany on April 30, 2021 with a total investment of EUR25,000. From its establishment and up to the Latest Practicable Date, Germany Company is a wholly-owned subsidiary of our Company.

Germany Company has not commenced business operation as of the Latest Practicable Date. The principal business of Germany Company is the R&D and sales of EV battery and ESS products.

Fujian Company

Fujian Company was established in Xiamen City, Fujian Province, the PRC as a limited liability company on February 22, 2022 with a registered capital of RMB2.5 billion. Upon its establishment and up to the Latest Practicable Date, Fujian Company was held as to 51% and 49% by our Company and Jinyuan Industry, respectively.

Pursuant to an agreement dated February 11, 2022 entered into between our Company, Jinyuan Investment and Xiamen Torch High Technology Industrial Development Zone Management Committee* (廈門火炬高技術產業開發區管理委員會) and the investment agreement dated February 22, 2022 entered into between our Company and Jinyuan Industry, our Company agreed to acquire the entire interest held by Jinyuan Industry in Fujian Company within five years from the date of establishment of Fujian Company (the “**Fujian Company Put Option**”) in accordance with the state-owned assets valuation procedures. Such Fujian Company Put Option will be terminated automatically and of no effect on the date when our Company submits our listing application for the listing of our Shares on any domestic or foreign stock exchange. If subsequently our Company withdraws our listing application or our listing application is not approved, such Fujian Company Put Option will be automatically restored. The aforesaid agreements do not provide for the exact long stop date by which the non-approval of our Company’s listing application would trigger the restoration of the Fujian Company Put Option. The applicable accounting policy for Fujian Company Put Option is set out in note 4(t) to the Accountant’s Report in Appendix I to this prospectus.

Fujian Company is principally engaged in the R&D, production and sales of EV battery and ESS products.

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Jiangmen Company

Jiangmen Company was established in Jiangmen City, Guangdong Province, the PRC as a limited liability company on February 23, 2022 with a registered capital of RMB4 billion. Upon its establishment and up to the Latest Practicable Date, Jiangmen Company was held as to 51% and 49% by our Company and Jiangmen New Energy, respectively.

Pursuant to an agreement dated January 26, 2022 entered into between our Company and People's Government of Jiangmen City and the investment agreement dated February 23, 2022 entered into between our Company and Jiangmen New Energy, our Company agreed to acquire the partial or entire interest held by Jiangmen New Energy in Jiangmen Company within eight years from the date of establishment of Jiangmen Company (the “**Jiangmen Company Put Option**”). Such Jiangmen Company Put Option will be terminated automatically and of no effect on the date when our Company submits our listing application for the listing of our Shares on any domestic or foreign stock exchange. If subsequently our Company withdraws our listing application or our listing application is not approved, such Jiangmen Company Put Option will be automatically restored. The aforesaid agreements do not provide for the exact long stop date by which the non-approval of our Company's listing application would trigger the restoration of the Jiangmen Company Put Option. The applicable accounting policy for Jiangmen Company Put Option is set out in note 4(t) of the Accountant's Report in Appendix I of the Prospectus.

Jiangmen Company is principally engaged in the R&D, production and sales of EV battery and ESS products.

Sichuan Company

Sichuan Company was established in Meishan City, Sichuan Province, the PRC as a limited liability company on April 2, 2022 with a registered capital of RMB4 billion. Upon its establishment and up to the Latest Practicable Date, Sichuan Company was owned as to 51% and 49% by our Company and Meishan Guidance Fund, respectively.

Pursuant to a supplemental agreement to an agreement dated March 22, 2022 entered into between our Company and People's Government of Pengshan District, Meishan City* (眉山市彭山區人民政府) and the investment agreement dated April 21, 2022 entered into between our Company and Meishan Guidance Fund, our Company agreed to acquire the partial or entire interest held by Meishan Guidance Fund in Sichuan Company within six years from the date of establishment of Sichuan Company (the “**Sichuan Company Put Option**”). Such Sichuan Company Put Option will be terminated automatically and of no effect on the date when our Company submits our listing application for the listing of our Shares on any domestic or foreign stock exchange. If subsequently our Company withdraws our listing application or our listing application is not approved, such Sichuan Company Put Option will be automatically restored. The aforesaid agreements do not provide for the exact long stop date by which the non-approval of our Company's listing application would trigger the restoration of the Sichuan Company Put Option. The applicable accounting policy for Sichuan Company Put Option is set out in note 4(t) of the Accountant's Report in Appendix I of the Prospectus.

Sichuan Company is principally engaged in the R&D, production and sales of EV battery and ESS products.

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PRE-IPO INVESTMENTS

1. Overview

Pre-IPO Investors	Date of capital increase agreement	Subscription amount of registered capital/ Number of Shares subscribed	Consideration paid	Date of completion of payment of consideration	Number of Shares as of the Latest Practicable Date	Average cost per Share	Interest held in our Company immediately before completion of the Global Offering	Interest held in our Company upon completion of the Global Offering	Discount to the Offer Price (midpoint) ^{(1)/(2)}
1. Jinyuan Industry	July 29, 2019	RMB399.88 million	RMB400 million	July 30, 2019	37,580,435	RMB10.64	2.49%	2.12%	72.92%
2. Lihang Jinzhi	July 29, 2019	RMB1,509.55 million	RMB1,510 million	December 30, 2019	141,866,141	RMB10.64	9.42%	8.00%	72.92%
3. Jinyuan Investment	January 20, 2020	RMB599.82 million	RMB600 million	January 21, 2020	37,580,435	RMB15.97	2.49%	2.12%	59.36%
4. Guangqi Ruidian	November 16, 2020	RMB680.07 million	RMB700 million	January 25, 2021	63,912,844	RMB10.95	4.24%	3.61%	72.13%
5. China Insurance Investment Advanced Manufacturing	November 10, 2020	RMB553.77 million	RMB570 million	January 25, 2021	52,043,316	RMB10.95	3.45%	2.94%	72.13%
6. Hongshan Kaichen	November 19, 2020	RMB388.61 million	RMB400 million	January 25, 2021	36,521,625	RMB10.95	2.42%	2.06%	72.13%
7. Guolian Tongjin	December 9, 2020	RMB375.01 million	RMB386 million	January 25, 2021	35,243,368	RMB10.95	2.34%	1.99%	72.13%
8. Chenyi Pengqi	November 10, 2020	RMB334.21 million	RMB344 million	January 25, 2021	31,408,598	RMB10.95	2.08%	1.77%	72.13%
9. China Insurance Investment No. 1 New Energy	November 10, 2020	RMB301.18 million	RMB310 million	January 25, 2021	28,304,260	RMB10.95	1.88%	1.60%	72.13%

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

	Pre-IPO Investors	Date of capital increase agreement	Subscription amount of registered capital/ Number of Shares subscribed	Consideration paid	Date of completion of payment of consideration	Number of Shares as of the Latest Practicable Date	Average cost per Share	Interest held in our Company immediately before completion of the Global Offering	Interest held in our Company upon completion of the Global Offering	Discount to the Offer Price (midpoint) ^{(1)/(2)}
10.	Xiaomi Yangtze River Industry	November 10, 2020	RMB291.46 million	RMB300 million	January 25, 2021	27,391,219	RMB20.31	2.61%	2.22%	48.31%
11.	Link Cornerstone	July 27, 2021	12,000,000	RMB500 million	August 6, 2021	12,000,000				
		November 10, 2020	RMB174.88 million	RMB180 million	January 25, 2021	16,434,731	RMB10.95	1.09%	0.93%	72.13%
12.	Ma'anshan Cornerstone	November 10, 2020	RMB141.84 million	RMB146 million	January 25, 2021	13,330,393	RMB10.95	0.88%	0.75%	72.13%
13.	Jinli Investment	November 23, 2020	RMB136.01 million	RMB140 million	January 25, 2021	12,782,569	RMB10.95	0.85%	0.72%	72.13%
14.	Guolian Tongwu	December 14, 2020	RMB113.67 million	RMB117 million	January 25, 2021	10,682,575	RMB10.95	0.71%	0.60%	72.13%
15.	Guolian Tongkun	December 9, 2020	RMB109.78 million	RMB113 million	January 25, 2021	10,317,359	RMB10.95	0.68%	0.58%	72.13%
16.	China Insurance Investment No. 2 New Energy	November 10, 2020	RMB97.15 million	RMB100 million	January 25, 2021	9,130,406	RMB10.95	0.61%	0.52%	72.13%
17.	China Insurance Investment Strategic Emerging	November 10, 2020	RMB97.15 million	RMB100 million	January 25, 2021	9,130,406	RMB10.95	0.61%	0.52%	72.13%
18.	Ma'anshan Shengguo	November 10, 2020	RMB38.86 million	RMB40 million	January 25, 2021	3,652,163	RMB10.95	0.24%	0.21%	72.13%
19.	Getian Star	November 10, 2020	RMB33.03 million	RMB34 million	January 25, 2021	3,104,338	RMB10.95	0.21%	0.18%	72.13%

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

		Date of capital increase agreement	Subscription amount of registered capital/ Number of Shares subscribed	Consideration paid	Date of completion of payment of consideration	Number of Shares as of the Latest Practicable Date	Average cost per Share	Interest held in our Company immediately before completion of the Global Offering	Interest held in our Company upon completion of the Global Offering	Discount to the Offer Price (midpoint) ^{(1)/(2)}
	Pre-IPO Investors									
20.	Huaxian Automobile	November 10, 2020	RMB19.43 million	RMB20 million	January 25, 2021	1,826,081	RMB10.95	0.12%	0.10%	72.13%
21.	Xiamen Jinli No. 2	August 19, 2021	24,000,000	RMB1,000 million	August 24, 2021	24,000,000	RMB41.67	1.59%	1.35%	-6.05%
22.	Chuangyi Shengtun	August 9, 2021	24,000,000	RMB1,000 million	August 20, 2021	24,000,000	RMB41.67	1.59%	1.35%	-6.05%
23.	Manufacturing Transform and Upgrade Fund	August 3, 2021	23,976,000	RMB999 million	August 13, 2021	23,976,000	RMB41.67	1.59%	1.35%	-6.05%
24.	Hainan Huaping	July 26, 2021	15,840,000	RMB660 million	August 16, 2021	15,840,000	RMB41.67	1.05%	0.89%	-6.05%
25.	Chengdu Heavy Industry Longjin	August 19, 2021	12,000,000	RMB500 million	August 26, 2021	12,000,000	RMB41.67	0.8%	0.68%	-6.05%
26.	Guoshou Private Equity	July 29, 2021	12,000,000	RMB500 million	August 9, 2021	12,000,000	RMB41.67	0.8%	0.68%	-6.05%
27.	Hainan Qingshan	July 25, 2021	12,000,000	RMB500 million	October 26, 2021	12,000,000	RMB41.67	0.8%	0.68%	-6.05%
28.	Jiaxing Xingneng	August 6, 2021	12,000,000	RMB500 million	August 19, 2021	12,000,000	RMB41.67	0.8%	0.68%	-6.05%
29.	Nanjing Xing Na Zhou	July 29, 2021	12,000,000	RMB500 million	August 10, 2021	12,000,000	RMB41.67	0.8%	0.68%	-6.05%
30.	Three Gorges Capital	July 30, 2021	12,000,000	RMB500 million	August 6, 2021	12,000,000	RMB41.67	0.8%	0.68%	-6.05%
31.	Wuhan Jingkai Investment	July 28, 2021	12,000,000	RMB500 million	August 24, 2021	12,000,000	RMB41.67	0.8%	0.68%	-6.05%
32.	Hanshi Precision	August 4, 2021	10,800,000	RMB450 million	August 6, 2021	10,800,000	RMB41.67	0.72%	0.61%	-6.05%
33.	Dongtuo Liying	August 17, 2021	9,600,000	RMB400 million	August 18, 2021	9,600,000	RMB41.67	0.64%	0.54%	-6.05%

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

	Pre-IPO Investors	Date of capital increase agreement	Subscription amount of registered capital/ Number of Shares subscribed	Consideration paid	Date of completion of payment of consideration	Number of Shares as of the Latest Practicable Date	Average cost per Share	Interest held in our Company immediately before completion of the Global Offering	Interest held in our Company upon completion of the Global Offering	Discount to the Offer Price (midpoint) ^{(1)/(2)}
34.	Huzhou Haifa	July 26, 2021	9,600,000	RMB400 million	August 6, 2021	9,600,000	RMB41.67	0.64%	0.54%	-6.05%
35.	Chuanghe Xincai	October 15, 2021	RMB199,94 million	RMB213.35 million	October 15, 2021	18,790,217	RMB19.75	1.73%	1.47%	49.74%
		July 26, 2021	7,200,000	RMB300 million	August 9, 2021	7,200,000				
36.	Yiwu Lexin	July 26, 2021	7,200,000	RMB300 million	August 5, 2021	7,200,000	RMB41.67	0.48%	0.41%	-6.05%
37.	Aviation Industry Integration Fund	August 5, 2021	12,000,000	RMB500 million	August 6, 2021	12,000,000	RMB41.67	0.80%	0.68%	-6.05%
38.	Dahou Cornerstone	August 20, 2021	6,021,000	RMB250.9 million	August 25, 2021	6,021,600	RMB41.67	0.40%	0.34%	-6.05%
39.	Hunan Dice	August 23, 2021	4,800,000	RMB200 million	August 25, 2021	4,800,000	RMB41.67	0.32%	0.27%	-6.05%
	Honggang Fund									
40.	Wuhan Industrial Investment Zhongjing	August 13, 2021	4,320,000	RMB180 million	August 19, 2021	4,320,000	RMB41.67	0.29%	0.24%	-6.05%

Notes:

- (1) The Offer Price is calculated based on the exchange rate of RMB1.00 to HK\$1.13, the median rate set by PBOC for foreign exchange transactions prevailing on the Latest Practicable Date, and assuming the Offer Price is fixed at HK\$44.50, being the mid-point of the indicative Offer Price range.
- (2) The considerations of the Pre-IPO Investment were determined after arm's length negotiation among the parties with reference to the net asset value of our Company at the relevant times. The discount to the Offer Price is calculated based on the assumption that the Offer Price is HK\$44.50 per Share (being the mid-point of the indicative Offer Price range of HK\$38.00 to HK\$51.00). The foregoing price range has taken various factors including the recent market condition, liquidity premium after the Listing, valuation level of the listed comparable peers, the current business scale of our Group and future profitability of our Group, into account.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

2. The principal terms of the Pre-IPO Investments and the rights of the Pre-IPO Investors

Use of proceeds from the
Pre-IPO Investments

All proceeds from the Pre-IPO Investments are used for business expansion and operation, including expenses for new construction and expansion of production bases, R&D of advanced technology and daily operation

As of the Latest Practicable Date, the proceeds from the Pre-IPO Investments had been fully utilized.

Strategic benefits of the Pre-IPO
Investments to our Company

At the time of the Pre-IPO Investments, the Directors believe that our Company will benefit from the additional capital provided by the Pre-IPO Investors' investment and their knowledge and experience.

In addition to the overall strategic benefits mentioned above, our Directors are of the view different types of Pre-IPO Investors also bring specific benefits to our Group, being that (i) since each of Jinyuan Investment, Jinyuan Industry, Lihang Jinzhi, Xiamen Jinli No.2, Jinli Investment, Chengdu Heavy Industry Longjin and Wuhan Jingkai Investment is ultimately owned by the local governments, their investment in our Company will be beneficial to our Group's business; (ii) since each of Guangqi Ruidian, Xiaomi Yangtze River Industry, Chuanghe Xincai, Chuangyi Shengtun, Three Gorges Capital, Huaxian Automobile, Hanshi Precision, Huzhou Haifa and Hunan Dice Honggang Fund is the participant of our upstream and downstream industrial chain, their investment in our Company will be beneficial to business development of our Company; and (iii) since each of China Insurance Investment Advanced Manufacturing, China Insurance Investment No.1 New Energy, China Insurance Investment No.2 New Energy, China Insurance Investment Strategic Engineering, Hongshan Kaichen, Guolian Tongjin, Guolian Tongwu, Guolian Tongkun, Chenyi Pengqi, Manufacturing Transform and Upgrade Fund, Link Cornerstone, Ma'anshan Cornerstone, Ma'anshan Shengtuo, Dahou Cornerstone, Hainan Huaping, Getian Star, Guoshou Private Equity, Hainan Qingshan, Jiaying Xingneng, Wuhan Industrial Investment Zhongjing, Dongtou Liying, Nanjing Xing Na Zhou, Yiwu Lexin and Aviation Industry Integration Fund is a professional fund or investment company, their investment in our Company will diversify our shareholding structure and Shareholders base.

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Basis for determination of consideration paid	Please see “Major changes in shareholding and corporate form” in this section.
Lock-up period	Pursuant to the capital increase agreements entered into between the Pre-IPO Investors and our Company, the Pre-IPO Investors are not allowed to sell any of their Shares within a period of 36 months from the date on which the registration with the local industry and commerce department in respect of the Pre-IPO Investments has been completed, unless the lock-up period of the Pre-IPO Investors, as required by the relevant laws, regulations or securities authority, is terminated after our Listing. In accordance with the applicable PRC laws, the Pre-IPO Investors are not allowed to sell any of their Shares within 12 months after the Listing.

3. Special Rights granted to the Pre-IPO Investors

None of the Pre-IPO Investors was granted any special rights in relation to our Company.

4. Compliance with Interim Guidance and Guidance Letters

The Sole Sponsor confirmed that the Pre-IPO Investments are in compliance with (i) Guidance Letter HKEX-GL29-12 issued by the Stock Exchange in January 2012 and updated in March 2017; (ii) Guidance Letter HKEX-GL43-12, issued by the Stock Exchange in October 2012 and updated in July 2013 and March 2017; and (iii) HKEX-GL44-12, issued by the Stock Exchange in October 2012 and updated in March 2017.

5. Information on our Pre-IPO Investors

The following set outs the background of our Pre-IPO Investors:

1. Guangqi Ruidian is a limited partnership established under the laws of the PRC and is principally engaged in equity investment and M&A activities. Guangzhou Yingpeng Investment Management Company Limited* (廣州盈蓬投資管理有限公司) (“**Guangzhou Yingpeng Investment**”) is a limited liability company established under the laws of the PRC and is the general partner of Guangqi Ruidian. Guangzhou Yingpeng Investment is an indirect wholly-owned subsidiary of Guangzhou Automobile Group Co., Ltd.* (廣州汽車集團股份有限公司), a company whose share are listed on the Shanghai Stock Exchange (Stock Code: 601238) and ultimately controlled by State-owned Assets Supervision and Administration Commission of Guangzhou Municipal People’s Government* (廣州市人民政府國有資產監督管理委員會). As of the Latest Practicable Date, Guangqi Ruidian had 13 limited partners, being Guangzhou Chentu No. 8 Venture Capital Partnership (Limited Partnership)* (廣州辰途八號創業投資合夥企業(有限合夥)), Shanghai Taihehang Enterprise Management Consulting Partnership (Limited Partnership)* (上海太禾行企業管理諮詢合夥企業(有限合夥)), Nantong Yili Chuangneng Information Technology Consulting Service Center (Limited Partnership)* (南通億鋰創能信息技術諮詢服務中心(有限合夥)), Shandong Railway Development Fund Co., Ltd.* (山東鐵路發展基金有限公司), Foshan Renjun Fuxin Equity Investment Partnership (Limited Partnership)* (佛山任君富鑫股權投資合夥企業(有限合夥)), Guangqi Capital Co., Ltd.* (廣汽資本有限公司), Guangzhou Chentu No. 10 Venture Capital Partnership (Limited Partnership)* (廣州辰途十號股權投資合夥企業(有限合夥)), Guangzhou Chentu Huachuang Venture Capital Partnership (Limited Partnership)* (廣州辰途華創股權投資合夥企業(有限合夥)), Guangzhou Chentu No. 11 Venture Capital Partnership (Limited Partnership)* (廣州辰途十一號創業投資合夥企業(有限合夥)), Guangzhou Chentu No. 9 Venture Capital Partnership (Limited Partnership)* (廣州辰途九號創業投資合夥企業(有限合夥)), Shanxi Guokai Travel Industry Fund Management Co., Ltd.* (陝西國開旅遊產業基金管理有限公司), Shenzhen Xinchuang Growth Venture Capital Partnership (Limited Partnership)* (深圳欣創成長股權投資基金合夥企業(有限合夥)), and Zhang Zhi (張治) each holding approximately 22.94%, 13.50%, 13.50%, 12.15%, 10.12%, 6.73%, 6.48%, 5.13%, 2.97%, 2.70%, 1.98%, 1.35% and 0.45% interests in Guangqi Ruidian, respectively. To the best knowledge, information and belief of our Directors, save for Shanghai Taihehang Enterprise Management Consulting Partnership (Limited Partnership)*, Nantong Yili Chuangneng Information Technology Consulting Service Center (Limited Partnership)* and Zhang Zhi are qualified investors, and the other limited partners of Guangqi Ruidian are professional investors. Save that the general partner of each Guangzhou Chentu No. 10 Venture Capital Partnership (Limited Partnership)* (廣州辰途十號股權投資合夥企業(有限合夥)), Guangzhou Chentu No. 11 Venture Capital Partnership (Limited Partnership)* (廣州辰途十一號創業投資合夥企業(有限合夥)), Guangzhou Chentu Huachuang Venture Capital Partnership (Limited Partnership)* (廣州辰途華創股權投資合夥企業(有限合夥)), and Guangzhou Chentu No. 9 Venture Capital Partnership (Limited Partnership)* (廣州辰途九號創業投資合夥企業(有限合夥)) is Guangzhou Xienuo Chentu Venture Capital Management Co., Ltd.* (廣州謝諾辰途股權投資管理有限公司), the other limited partners are independent from each other. As of the Latest Practicable Date, Guangqi Ruidian directly held approximately 4.24% of our total issued Shares. To the best knowledge of our Directors, Guangqi Ruidian is an Independent Third Party.

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2. Each of China Insurance Investment Advanced Manufacturing, China Insurance Investment No. 1 New Energy, China Insurance Investment No. 2 New Energy and China Insurance Investment Strategic Engineering is a limited partnership established under the laws of the PRC. China Insurance Investment Co., Ltd.* (中保投資有限責任公司) (“**China Insurance Investment**”) is a limited liability company established under the laws of the PRC and is the general partner of each of China Insurance Investment Advanced Manufacturing, China Insurance Investment No. 1 New Energy, China Insurance Investment No. 2 New Energy and China Insurance Investment Strategic Engineering. China Insurance Investment is an investment platform established pursuant to the Official Reply of the State Council regarding the Proposal on the Establishment of the China Insurance Investment Fund* (國務院關於中國保險投資基金設立方案的批覆). As of the Latest Practicable Date, each of China Insurance Investment Advanced Manufacturing, China Insurance Investment No. 1 New Energy, China Insurance Investment No. 2 New Energy and China Insurance Investment Strategic Engineering directly held approximately 3.45%, 1.88%, 0.61% and 0.61% of our total issued Shares, respectively. To the best knowledge of our Directors, each of China Insurance Investment Advanced Manufacturing, China Insurance Investment No. 1 New Energy, China Insurance Investment No. 2 New Energy and China Insurance Investment Strategic Engineering is an Independent Third Party.

As of the Latest Practicable Date, China Insurance Investment Advanced Manufacturing had five limited partners, being Xindayuan Ocean Shipping Investment (Tianjin) Partnership (Limited Partnership)* (信達遠海航運投資(天津)合夥企業(有限合夥)), Guangzhou Xieguangyin Venture Capital Fund Partnership (Limited Partnership)* (廣州謝廣銀創業投資基金合夥企業(有限合夥)), Beijing GAGE Capital Management Ltd.* (北京疆巨資本管理有限公司), Dongguan Decai Hongchi Equity Investment Center (Limited Partnership)* (東莞德彩紅弛股權投資中心(有限合夥)), China Insurance Investment (Shenzhen) Co., Ltd.* (中保投資(深圳)有限責任公司) (“**China Insurance Investment (Shenzhen)**”), each holding approximately 84.21%, 6.92%, 6.92%, 0.20% and 1.58% interests in China Insurance Investment Advanced Manufacturing. To the best knowledge, information and belief of our Directors, all the limited partners of China Insurance Investment Advanced Manufacturing are professional investors and independent from each other.

As of the Latest Practicable Date, China Insurance Investment No. 1 New Energy had two limited partners, being China Orient Asset Management Co., Ltd.* (中國東方資產管理股份有限公司) and China Insurance Investment (Shenzhen), each holding approximately 96.87% and 2.82% interests in China Insurance Investment No. 1 New Energy. To the best knowledge, information and belief of our Directors, both the limited partners of China Insurance Investment No. 1 New Energy are professional investors and independent from each other.

As of the Latest Practicable Date, China Insurance Investment No. 2 New Energy had two limited partners, being China Insurance Investment (Shenzhen) and Yong An Insurance Co., Ltd.* (永安財產保險股份有限公司), each holding approximately 73.93% and 25.87% interests in China Insurance Investment No. 2 New Energy. To the best knowledge, information and belief of our Directors, both the limited partners of China Insurance Investment No. 2 New Energy are professional investors and independent from each other.

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As of the Latest Practicable Date, China Insurance Investment Strategic Engineering had two limited partners, being China Insurance Investment (Shenzhen) and China Union Property Insurance Co., Ltd.* (中華聯合財產保險股份有限公司), each holding approximately 79.84% and 19.96% interests in China Insurance Investment Strategic Engineering. To the best knowledge, information and belief of our Directors, both the limited partners of China Insurance Investment Strategic Engineering are professional investors and independent from each other.

3. Xiaomi Yangtze River Industry is a limited partnership established under the laws of the PRC. Hubei Xiaomi Changjiang Industrial Investment Fund Management Co., Ltd.* (湖北小米長江產業投資基金管理有限公司) (“**Hubei Xiaomi**”) is a limited liability company established under the laws of the PRC and is the sole general partner of Xiaomi Yangtze River Industry. The ultimate controller of Hubei Xiaomi is Lei Jun (雷軍) who is an Independent Third Party. As of the Latest Practicable Date, Xiaomi Yangtze River Industry had 15 limited partners, among which, Xiaomi Technology Co., Ltd.* (小米科技有限責任公司), Wuhan Guanggu Industrial Investment Co., Ltd.* (武漢光谷產業投資有限公司), Hubei Province Changjiang Economic Belt Industrial Guidance Fund Partnership (Limited Partnership)* (湖北省長江經濟帶產業引導基金合夥企業(有限合夥)), Shanghai Xinyin Haisi Investment Management Co., Ltd.* (上海信銀海絲投資管理有限公司), Zhuhai Gree Finance Investment Management Co., Ltd.* (珠海格力金融投資管理有限公司) and Zhuhai Xingge Capital Investment Co., Ltd.* (珠海興格資本投資有限公司) each held approximately 16.67%, 16.67%, 16.67%, 7.50%, 12.04% and 17.50% of the interests in Xiaomi Yangtze River Industry. The remaining approximately 12.95% interests in Xiaomi Yangtze River Industry were held by nine limited partners each holding less than 5% of the interest in Xiaomi Yangtze River Industry. To the best knowledge, information and belief of our Directors, all the limited partners of Xiaomi Yangtze River Industry are professional investors. Save for Tianjin Jinxing Venture Capital Investment Co., Ltd.* and Xiaomi Technology Co., Ltd.*, both of which are ultimately controlled by Mr. Lei Jun (雷軍), to the best knowledge, information and belief of our Directors, all other limited partners are independent from each other. As of the Latest Practicable Date, Xiaomi Yangtze River Industry directly held approximately 2.61% of our issued Shares. To the best knowledge of our Directors, Xiaomi Yangtze River Industry is an Independent Third Party.
4. Jinyuan Investment is a limited liability company established under the laws of the PRC, which is wholly owned by the Finance Bureau of Xiamen City* (廈門市財政局). As of the Latest Practicable Date, Jinyuan Investment directly held approximately 2.49% of our issued Shares. Since Jinyuan Industry is a wholly-owned subsidiary of Jinyuan Investment, Jinyuan Investment is deemed to have an interest in all shares held by Lihang Jinzhi and Jinyuan Industry. Xiamen Jinli No. 2 and Jinli Investment, which are the limited partnerships ultimately controlled by Jinyuan Investment, directly held approximately 1.59% and 0.85% of our issued Shares respectively, thus Jinyuan Investment is also deemed to have an interest in the shares held by Xiamen Jinli No. 2 and Jinli Investment. As a result, Jinyuan Investment controls approximately 16.85% of our issued Shares, directly or indirectly. For further details, please see “Substantial Shareholders” of this prospectus.

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5. Jinyuan Industry is a limited liability company established under the laws of the PRC, which is wholly and directly owned by Jinyuan Investment, and its ultimate controller is the Finance Bureau of Xiamen City* (廈門市財政局). As of the Latest Practicable Date, Jinyuan Investment directly held approximately 2.49% of our issued Shares. As Jinyuan Industry controls Lihang Jinzhi, it has control over approximately 11.91% of our issued Shares, directly and indirectly. For further details, please see “Substantial Shareholders” of this prospectus.
6. Lihang Jinzhi is a limited partnership jointly established by the general partner Jinyuan Industry and the limited partner Xiamen Lihang Equity Investment, which subscribed for approximately 99.34% and 0.66% of Lihang Jinzhi’s capital, respectively. Lihang Jinzhi is controlled by Jinyuan Industry according to its partnership agreement. As of the Latest Practicable Date, Lihang Jinzhi directly held approximately 9.42% of our issued Shares.
7. Hongshan Kaichen is a limited partnership established under the laws of the PRC. Shenzhen Sequoia An Tai Equity Investment Partnership (Limited Partnership)* (深圳紅杉安泰股權投資合夥企業(有限合夥)) (“**Shenzhen Sequoia An Tai**”) is the general partner of Hongshan Kaichen. The general partner of Shenzhen Sequoia An Tai is Shenzhen Sequoia Huan Yu Investment Management Co., Ltd.* (深圳市紅杉恒宇投資諮詢有限公司) which is held as to 70% and 30% by Zhou Kui (周逵) and Zhang Lianqing (張聯慶), respectively, each of whom is an Independent Third Party to the best knowledge of our Directors. As of the Latest Practicable Date, Hongshan Kaichen had two limited partners, being Zhuhai Sequoia Zhanchen Equity Investment Partnership (Limited Partnership)* (珠海市紅杉展辰股權投資合夥企業(有限合夥)) and Qingdao Yinsheng Tairunze Investment Center (Limited Partnership)* (青島銀盛泰潤澤投資中心(有限合夥)), each holding approximately 74.81% and 24.94% interests in Hongshan Kaichen. To the best knowledge, information and belief of our Directors, both limited partners of Hongshan Kaichen are professional investors and independent from each other. As of the Latest Practicable Date, Hongshan Kaichen directly held approximately 2.42% of our issued Shares. To the best knowledge of our Directors, Hongshan Kaichen is an Independent Third Party.

8. Each of Guolian Tongjin, Guolian Tongwu and Guolian Tongkun is a limited partnership established under the laws of the PRC. Guolian Capital Co., Ltd.* (國聯通寶資本投資有限責任公司) (“**Guolian Capital**”) is a limited liability company established under the laws of the PRC and is a general partner of each of Guolian Tongjin, Guolian Tongwu and Guolian Tongkun. Guolian Capital is wholly-owned by Guolian Securities Co., Ltd., which is dually listed on the Shanghai Stock Exchange (stock code: 601456) and on the Stock Exchange (stock code: 01456). As of the Latest Practicable Date, each of Guolian Tongjin, Guolian Tongwu and Guolian Tongkun directly held approximately 2.34%, 0.71% and 0.68% of our issued Shares. To the best knowledge of our Directors, each of Guolian Tongjin, Guolian Tongwu and Guolian Tongkun is an Independent Third Party.

As of the Latest Practicable Date, Guolian Tongjin had seven limited partners, being Sun Jianbo (孫劍波), Yan Jianhong (鄢建紅), Li Pei (李佩), Xu Chendong (許晨東), Guo Jinying (號金英), Li Fei (李菲) and Gongqingcheng Fanjing New Energy Industry Investment Partnership (Limited Partnership)* (共青城梵境新能源產業投資合夥企業(有限合夥)), each holding approximately 9.07%, 3.89%, 2.59%, 64.77%, 3.63%, 2.59% and 13.47% interests in Guolian Tongjin. To the best knowledge, information and belief of our Directors, all the limited partners of Guolian Tongjin are professional investors and independent from each other.

As of the Latest Practicable Date, Guolian Tongwu had six limited partners, being Wuxi Panyu Kaiyuan Kechuang Service Center (Limited Partnership)* (無錫盤古開元科創服務中心(有限合夥)), Gu Jufang (顧菊芳), Chen Yueqing (陳越卿), Song Shiliang (宋仕良), Nantong Chuanghang Yineng Information Technology Consulting Service Center (Limited Partnership)* (南通創航億能信息技術諮詢服務中心(有限合夥)), Nantong Chuangli Yineng Information Technology Consultation Service Center (Limited Partnership)* (南通創鋰億能信息技術諮詢服務中心(有限合夥)), each holding 16%, 8%, 8%, 8%, 8% and 48% interests in Guolian Tongwu. To the best knowledge, information and belief of our Directors, all the limited partners of Guolian Tongwu are professional investors and save that Nantong Chuanghang Yineng Information Technology Consulting Service Center (Limited Partnership)* and Nantong Chuangli Yineng Information Technology Consulting Service Center (Limited Partnership)* are ultimately controlled by Huang Kaikai (黃凱凱), the other limited partners are independent from each other.

As of the Latest Practicable Date, Guolian Tongkun had nine limited partners, being Wu Xiaoming (吳曉明), Meng Shaozhua (孟韶華), Wang Qinghua (王慶華), Zhou Feng (周鋒), Li Jianfeng (李建鋒), Li Huiyuan (李惠元), Yang Yiwei (楊怡煒), Wuxi Kaibingchen Corporate Management Center (Limited Partnership)* (無錫凱丙辰企業管理中心(有限合夥)), Zhou Xiaoyan (周曉燕) each holding 8%, 8%, 8%, 8%, 24%, 8%, 8%, 8% and 8% interests in Guolian Tongkun. To the best knowledge, information and belief of our Directors, all the limited partners of Guolian Tongkun are professional investors and independent from each other.

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9. Chenyi Pengqi is a limited partnership established under the laws of the PRC. Chenyi Hongqi (Beijing) Consulting Co., Ltd.* (晨壹紅啟(北京)諮詢有限公司) (“**Chenyi Hongqi (Beijing)**”) is a limited liability company established under the laws of the PRC and is the general partner of Chenyi Pengqi. Chenyi Hongqi (Beijing) is actually controlled by Liu Xiaodan (劉曉丹), who is an Independent Third Party. As of the Latest Practicable Date, Chenyi Pengqi had one limited partner, being Beijing Chenyi Acquisition Fund (Limited Partnership)* (北京晨壹併購基金(有限合夥)) holding approximately 99.75% interests in Chenyi Pengqi. To the best knowledge, information and belief of our Directors, the limited partner of Chenyi Pengqi is an professional investor. As of the Latest Practicable Date, Chenyi Pengqi directly held approximately 2.08% of our issued Shares. To the best knowledge of our Directors, Chenyi Pengqi is an Independent Third Party.
10. Chuanghe Xincai is a limited partnership established under the laws of the PRC. Xiamen Chuanghe Luxiang Investment Management Co., Ltd.* (廈門創合鷺翔投資管理有限責任公司) (“**Xiamen Chuanghe**”) is a limited liability company established under the laws of the PRC and is the general partner of Chuanghe Xincai. The largest single shareholder of Xiamen Chuanghe is SDIC Chuanghe Fund Management Co., Ltd.* (國投創合基金管理有限公司), which is an Independent Third Party. As of the Latest Practicable Date, Chuanghe Xincai had six limited partners, being Jinyuan Investment, one of our Pre-IPO Investors and Substantial Shareholders, Manufacturing Transform and Upgrade Fund, one of our Pre-IPO Investors, Xiawu Hongxin (Xiamen) Investment Partnership (Limited Partnership)* (廈鎬鴻鑫(廈門)投資合夥企業(有限合夥)), Fujian Province Sansteel (Group) Co., Ltd.* (福建省三鋼(集團)有限責任公司), Military and Civil Integration Development Industrial Investment Fund (Limited Partnership)* (軍民融合發展產業投資基金(有限合夥)), Xiamen City Jimei District Industrial Investment Co., Ltd.* (廈門市集美區產業投資有限公司), each holding approximately 5%, 30%, 34.6%, 10%, 13.4% and 6% interests in Chuanghe Xincai. To the best knowledge, information and belief of our Directors, save for Fujian Province Sansteel (Group) Co., Ltd.*, a limited liability company principally engaged in coking, ironmaking, steelmaking and ferrous metal casting, all the other limited partners of Chuanghe Xincai are professional investors and all the limited partners of Chuanghe Xincai are independent from each other. As of the Latest Practicable Date, Chuanghe Xincai directly held approximately 1.73% of our issued Shares. To the best knowledge of our Directors, Chuanghe Xincai is an Independent Third Party.
11. Chuangyi Shengtun is a limited partnership established under the laws of the PRC. SDIC Chuangyi Industrial Fund Management Co., Ltd.* (國投創益產業基金管理有限公司) (“**SDIC Chuangyi**”) and Beijing Shengtun Tianyu Private Fund Management Co., Ltd.* (北京盛屯天宇私募基金管理有限公司) are limited liability companies established under the laws of the PRC and general partners of Chuangyi Shengtun. SDIC Chuangyi is a wholly-owned subsidiary of National Development and Investment Group Co., Ltd.* (國家開發投資集團有限公司), a company wholly owned by the State-owned Assets Supervision and Administration Commission of

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the State Council (國務院國有資產監督管理委員會) (“SASAC”). As of the Latest Practicable Date, Chuangyi Shengtun had two limited partners, being Xiamen Changsheng Investment Partnership (Limited Partnership)* (廈門昶盛投資合夥企業(有限合夥)) and Central Enterprise Rural Industry Investment Fund Co., Ltd* (中央企業鄉村產業投資基金股份有限公司), each holding 48.33% and 49.67% interests in Chuangyi Shengtun. To the best knowledge, information and belief of our Directors, all the limited partners of Chuangyi Shengtun are professional investors and independent from each other. As of the Latest Practicable Date, Chuangyi Shengtun directly held approximately 1.59% of our issued Shares. To the best knowledge of our Directors, Chuangyi Shengtun is an Independent Third Party.

12. Xiamen Jinli No. 2 is a limited partnership established under the laws of the PRC. Jinyuan Equity Investment is a limited liability company established under the laws of the PRC and is the general partner of Xiamen Jinli No. 2. Jinyuan Equity Investment is ultimately controlled by Jinyuan Investment. As of the Latest Practicable Date, Xiamen Jinli No.2 had nine limited partners, being Jinyuan Investment, Xiamen Jincal Industrial Development Co., Ltd.* (廈門金財產業發展有限公司) (“**Xiamen Jincal**”), Xiamen Jinyuan Zhanhong Equity Investment Co., Ltd.* (廈門金圓展鴻股權投資合夥企業(有限合夥)) (“**Jinyuan Zhanhong**”), Xiamen Juyuan Guangpu Zhongchuan Emerging Industry Equity Investment Fund Partnership (Limited Partnership)* (廈門炬源光莆中傳新興產業股權投資基金合夥企業(有限合夥)) (“**Juyuan Guangpu**”), Xiamen Cross Strait Financial Center Construction and Development Co., Ltd.* (廈門兩岸金融中心建設開發有限公司) (“**Cross Strait Financial**”), Xiamen Jinchuang Fuchen Venture Capital Partnership (Limited Partnership)* (廈門市金創富辰創業投資合夥企業(有限合夥)) (“**Jinchuang Fuchen**”), Jinyuan Capital Management (Xiamen) Co., Ltd.* (金圓資本管理(廈門)有限公司) (“**Jinyuan Capital**”), Xiamen Torch Group Venture Capital Co., Ltd.* (廈門火炬集團創業投資有限公司) (“**Torch Venture**”) and Xiamen Financing Guarantee Co., Ltd* (廈門市融資擔保有限公司) (“**Xiamen Guarantee**”), each holding 49.02%, 19.61%, 9.22%, 8.82%, 4.90%, 4.41%, 1.96%, 0.98% and 0.98% of interests in Xiamen Jinli No. 2.

To the best knowledge, information and belief of our Directors, all the limited partners are qualified investors. Each of Jinyuan Investment, Xiamen Jincal, Jinyuan Zhanhong, Cross Strait Financial, Jinchuang Fuchen, Jinyuan Capital and Xiamen Guarantee is ultimately controlled by Finance Bureau of Xiamen City* (廈門市財政局) while Juyuan Guangpu and Torch Venture is ultimately controlled by the State-owned Assets Supervision and Administration Commission of Xiamen City* (廈門市國有資產監督管理委員會). As of the Latest Practicable Date, Xiamen Jinli No. 2 directly held approximately 1.59% of our issued Shares. Xiamen Jinli No. 2 is a connected person of our Company.

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13. Manufacturing Transform and Upgrade Fund is a joint stock limited company established under the laws of the PRC, which is held by the Ministry of Finance of the PRC as to approximately 15.29% of the equity interests and remaining 84.71% of the equity interests by 19 Independent Third Parties. Amongst the 84.71% of the equity interests, as of the Latest Practicable Date, China Development Bank Capital Co., Ltd.* (國開金融有限責任有限公司) (“**Guokai Financial**”), China National Tobacco Corporation* (中國煙草總公司) (“**China Tobacco**”) and China Insurance Investment Fund Phase II (Limited Partnership)* (中國保險投資基金二期(有限合夥)) (“**Insurance Fund II**”) held approximately 13.59%, 10.19% and 10.19% with the remaining 50.75% of the equity interests owned by 16 Independent Third Parties, each of whom owned less than 10% equity interests in Manufacturing Transform and Upgrade Fund. Guokai Financial is a limited liability company established under the laws of the PRC and is wholly owned by China Development Bank (國家開發銀行), an Independent Third Party. China Tobacco is a state-owned enterprise (全民所有制企業) established under the laws of the PRC and is wholly and ultimately owed by the State Council of the PRC. Insurance Fund II is a limited partnership established under the laws of the PRC whose general partner is China Insurance Investment Co., Ltd.* (中保投資有限責任公司), which was owned by 46 shareholders each holding less than 5% interests as of the Latest Practicable Date. As of the Latest Practicable Date, the Manufacturing Transform and Upgrade Fund directly held approximately 1.59% of our issued Shares. To the best knowledge of our Directors, Manufacturing Transform and Upgrade Fund is an Independent Third Party.
14. Link Cornerstone is a limited partnership established under the laws of the PRC. Shenzhen City Lingxin Cornerstone Equity Investment Fund Management Partnership (Limited Partnership)* (深圳市領信基石股權投資基金管理合夥企業(有限合夥)) (“**Lingxin Cornerstone**”) is a limited partnership established under the laws of the PRC and is the general partner of Link Cornerstone. The general partner of Lingxin Cornerstone is Urumqi Kunlun Cornerstone Venture Capital Co., Ltd.* (烏魯木齊昆侖基石創業投資有限公司), which is ultimately controlled by Zhang Wei (張維), an Independent Third Party. As of the Latest Practicable Date, Link Cornerstone had 21 limited partners amongst which, Shenzhen City Guidance Fund Investment Co., Ltd.* (深圳市引導基金投資有限公司), Ma’anshan Link Cornerstone Equity Investment Partnership (Limited Partnership)* (馬鞍山領澤基石股權投資合夥企業(有限合夥)), Shenzhen Huitong Jinkong Fund Investment Co., Ltd.* (深圳市匯通金控基金投資有限公司), Shanghai Jiangong Group Investment Co., Ltd.* (上海建工集團投資有限公司), Shenzhen City Kunpeng Equity Investment Co., Ltd.* (深圳市鯤鵬股權投資有限公司) and Guangdong Yuecai Industry Investment Fund Partnership (Limited Partnership) (廣東粵財產業投資基金合夥企業(有限合夥)) each held 25%, 12.5%, 9%, 5%, 5% and 5% of the interests in Link Cornerstone. The remaining 37.5% of interests in Link Cornerstone were held by 15 limited partners, each holding less than 5% interests in Link Cornerstone. To the best knowledge, information and belief of our Directors, all the limited partners of Link Cornerstone are qualified investors and

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independent from each other. As of the Latest Practicable Date, Link Cornerstone directly held approximately 1.09% of our issued Shares. To the best knowledge of our Directors, Link Cornerstone is an Independent Third Party.

15. Ma'anshan Cornerstone is a limited partnership established under the laws of the PRC. Ma'anshan Happiness Cornerstone Investment Management Co., Ltd.* (馬鞍山幸福基石投資管理有限公司) is a limited liability company established under the laws of the PRC and is the general partner of Ma'anshan Cornerstone, which is ultimately controlled by Zhang Wei (張維), an Independent Third Party. As of the Latest Practicable Date, Ma'anshan Cornerstone had six limited partners, being Anhui Sanzhong Yichuang Industrial Development Fund Co., Ltd.* (安徽省三重一創產業發展基金有限公司), Hefei Beicheng Cornerstone Industry Fund Partnership (Limited Partnership)* (合肥北城基石產業基金合夥企業(有限合夥)), Anhui Jiangdong Industrial Investment Group Co., Ltd.* (安徽江東產業投資集團有限公司), Ma'anshan Yushan District Urban Development Investment Group Co., Ltd.* (馬鞍山市雨山區城市發展投資集團有限責任公司), Anhui Hengwang Holding Group Co., Ltd.* (安徽橫望控股集團有限公司) and Ma'anshan Lingwang Cornerstone Equity Investment Partnership (Limited Partnership)* (馬鞍山領望基石股權投資合夥企業(有限合夥)), each holding 40%, 26%, 9%, 8%, 8% and 8% of the interests in Ma'anshan Cornerstone. To the best knowledge, information and belief of our Directors, all the limited partners are qualified investors. Save as Anhui Jiangdong Industrial Investment Group Co., Ltd.* and Ma'anshan Yushan District Urban Development Investment Group Co., Ltd.* are ultimately controlled by the People's Government of Ma'anshan City, to the best knowledge, information and belief of our Directors, the other limited partners are independent from each other. As of the Latest Practicable Date, Ma'anshan Cornerstone directly held approximately 0.88% of our issued Shares. To the best knowledge of our Directors, Ma'anshan Cornerstone is an Independent Third Party.
16. Ma'anshan Shengtuo is a limited partnership established under the laws of the PRC. Urumqi Phoenix Cornerstone Equity Investment Management Partnership (Limited Partnership)* (烏魯木齊鳳凰基石股權投資管理有限合夥企業) is a limited partnership established under the laws of the PRC and is the general partner of Ma'anshan Shengtuo, whose general partner is Urumqi Kunlun Cornerstone Venture Capital Investment Co., Ltd.* (烏魯木齊昆崙基石創業投資有限公司) ("**Urumqi Kunlun**"). Urumqi Kunlun is a limited liability company established under the laws of the PRC and is ultimately controlled by Zhang Wei (張維), an Independent Third Party. As of the Latest Practicable Date, Ma'anshan Shengtuo had two limited partners, being Chongqing Guangda Holding Group Co., Ltd.* (重慶冠達控股集團有限公司) and Zhang Feilian (張飛廉), each holding 68.05% and 31.76% of the interests in Ma'anshan Shengtuo. To the best knowledge, information and belief of our Directors, both limited partners of Ma'anshan Shengtuo are qualified investors and independent from each other. As of the Latest Practicable Date, Ma'anshan Shengtuo directly held approximately 0.24% of our issued Shares. To the best knowledge of our Directors, Ma'anshan Shengtuo is an Independent Third Party.

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17. Dahou Cornerstone is a limited partnership established under the laws of the PRC. Tibet Tianji Cornerstone Venture Capital Co., Ltd.* (西藏天璣基石創業投資有限公司) is a limited liability company established under the laws of the PRC and the general partner of Dahou Cornerstone, which is ultimately controlled by Zhang Wei (張維), an Independent Third Party. As of the Latest Practicable Date, Dahou Cornerstone had 23 limited partners, among which, each of Zhongshan City Oppe Investment Co., Ltd.* (中山市歐普投資有限公司), Zhuhai Hengqin Renjun Xingchi Venture Capital Partnership (Limited Partnership)* (珠海橫琴任君興馳創業投資合夥企業(有限合夥)), Zhou Ruizhen (周瑞珍), Sun Dongmei (孫冬梅), Nuoke Lingtou (Xiamen) Enterprise Management Partnership (Limited Partnership)* (諾克領投(廈門)企業管理合夥企業(有限合夥)) held approximately 13.21%, 16.11%, 18.49%, 7.92% and 8.71% of the interests in Dahou Cornerstone. The remaining approximately 35.19% of interests in Dahou Cornerstone was held by 18 limited partners, each holding less than 5% of the interests in Dahou Cornerstone. To the best knowledge, information and belief of our Directors, all the limited partners of Jiaxing Xingneng are qualified investors and independent from each other. As of the Latest Practicable Date, Dahou Cornerstone directly held approximately 0.40% of our issued Shares. To the best knowledge of our Directors, Dahou Cornerstone is an Independent Third Party.
18. Hainan Huaping is a limited partnership established under the laws of the PRC. Hainan Huaping Enterprise Management Consulting Center (Limited Partnership)* (海南華平企業管理諮詢中心(有限合夥)) is a limited partnership established under the laws of the PRC and is the general partner of Hainan Huaping, whose ultimate beneficial owner is Gu Ren (顧韜), who is an Independent Third Party. As of the Latest Practicable Date, Hainan Huaping had seven limited partners, being Chongqing Strategic Emerging Industry Equity Investment Fund Partnership (Limited Partnership)* (重慶戰略性新興產業股權投資基金合夥企業(有限合夥)), Huayuan Lugang Capital Operation Co., Ltd.* (華遠陸港資本運營有限公司), Hainan Pude New Energy Technology Partnership (Limited Partnership)* (海南璞德新能源科技合夥企業(有限合夥)), Hainan Xingxiangrong Enterprise Management Co., Ltd.* (海南星享榮企業管理有限公司), Shanxi Traffic Control Intelligent Innovation Equity Investment Partnership (Limited Partnership)* (山西交控智能創新股權投資合夥企業(有限合夥)), Hainan Kesheng Investment Partnership (Limited Partnership)* (海南科聖投資合夥企業(有限合夥)) and Huang Hai (黃海), each holding approximately 30.32%, 22.74%, 15.16%, 12.13%, 7.58%, 7.58% and 3.03% of the interests in Hainan Huaping. Hainan Huaping is a RMB fund registered with the Asset Management Association of China. To the best knowledge, information and belief of our Directors, all the limited partners are qualified investors under the requirement of the Asset Management Association of China. Save as both Huayuan Lugang Capital Operation Co., Ltd.* and Shanxi Traffic Control Intelligent Innovation Equity Investment Partnership (Limited Partnership)* are ultimately controlled by the State-owned Assets Supervision and Administration Commission of Shanxi Province* (山西省國有資產監督管理委員會), the other limited partners are independent from each other. As of the Latest Practicable Date, Hainan Huaping directly held approximately 1.05% of our issued Shares. To the best knowledge of our Directors, Hainan Huaping is an Independent Third Party.

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19. Jinli Investment is a limited partnership established under the laws of the PRC. Jinyuan Capital Management (Xiamen) Co., Ltd.* (金圓資本管理(廈門)有限公司) is a limited liability company established under the laws of the PRC and is the general partner of Jinli Investment, which is ultimately controlled by the Finance Bureau of Xiamen City* (廈門市財政局). As of the Latest Practicable Date, Jinli Investment had eight limited partners, being Jinyuan Zhanhong, Xiamen Jinchuang Jizhi Venture Capital Partnership (limited Partnership)* (廈門市金創集智創業投資合夥企業(有限合夥)), Jinchuang Fuchen, Xiamen Torch Industrial Equity Investment Management Co., Ltd.* (廈門火炬產業股權投資管理有限公司), Xiamen Juyinghang Lithium Investment Partnership (Limited Partnership)* (廈門炬盈航鋰投資合夥企業(有限合夥)), Xiamen Guarantee, Xiamen Fengji Investment Partnership (Limited Partnership)* (廈門市豐稷投資合夥企業(有限合夥)) and Xiamen Zhongjin YingYuan Venture Capital Partnership (Limited Partnership)* (廈門眾金盈圓創業投資合夥企業(有限合夥)), each holding approximately 33.33%, 10.00%, 6.67%, 6.67%, 6.67%, 6.66% and 0.39% of the equity interests in Jinli Investment. To the best knowledge, information and belief of our Directors, all the limited partners of Jinli Investment are qualified investors. Among the limited partners of Jinli Investment, Jinyuan Zhanhong, Xiamen Jinchuang Jizhi Venture Capital Partnership (limited Partnership)*, Jinchuang Fuchen, Xiamen Guarantee are ultimately controlled by the Finance Bureau of Xiamen* (廈門市財政局) while the other limited partners are independent from each other. As of the Latest Practicable Date, Jinli Investment directly held approximately 0.85% of our issued Shares. Jinli Investment is a connected person of our Company.
20. Getian Star is a limited partnership established under the laws of the PRC. Xu Xiuyun (徐秀雲) is the general partner of Getian Star and an Independent Third Party. Getian Star is a limited partnership held as to approximately 43.48%, 28.99%, 16.52% and 11.01% by Chen Zhenghua (陳徵華), Hu Zhineng (胡志能), Xu Xiuyun (徐秀雲) and Yan Hongyu (閔紅玉), each a qualified investor and independent from each other. As of the Latest Practicable Date, Getian Star directly held approximately 0.21% of our issued Shares. To the best knowledge of our Directors, Getian Star is an Independent Third Party.
21. Huaxian Automobile is a limited liability company established under the laws of the PRC, which is owned as to 70% by Zeng Yangyi (曾洋溢) and 30% by Lin Qunhua (林群華), both of whom are Independent Third Parties. As of the Latest Practicable Date, Huaxian Automobile directly held approximately 0.12% of our issued Shares. To the best knowledge of our Directors, Huaxian Automobile is an Independent Third Party.

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22. Chengdu Heavy Industry Longjin is a limited liability company established under the laws of the PRC, which is owned as to 76% by Chengdu Major Industrial Project Phase I Equity Investment Fund Ltd. Co., Ltd.* (成都市重大產業化項目一期股權投資基金有限公司) (“**Chengdu Major Industrial Fund Phase I**”) and 24% by Chengdu Jingkai Industrial Equity Investment Fund (Limited Partnership)* (成都經開產業股權投資基金(有限合夥)). Chengdu Major Industrial Fund Phase I is a limited liability company established under the laws of the PRC, which is ultimately controlled by the State-owned Assets Supervision and Administration Commission of Chengdu City* (成都市國有資產監督管理委員會). As of the Latest Practicable Date, Chengdu Heavy Industry Longjin directly held approximately 0.80% of our issued Shares and 49% of the equity interests in Chengdu Company. Chengdu Heavy Industry Longjin is a connected person of our Company.
23. Guoshou Private Equity is a limited partnership established under the laws of the PRC. Guoshou (Tianjin) Technology Venture Capital Investment Management Co., Ltd.* (國壽(天津)科技創新投資管理有限公司) is a limited liability company established under the laws of the PRC and the general partner of Guoshou Private Equity, which is ultimately indirectly wholly owned by the State Council of the PRC. As of the Latest Practicable Date, Guoshou Private Equity had three limited partners, being China Life Insurance Co., Ltd.* (中國人壽保險股份有限公司), CCB Pilot Strategic Emerging Industry Development Fund (Limited Partnership)* (建信領航戰略性新興產業發展基金(有限合夥)), Guoshou Yunfan (Tianjin) Enterprise Management Partnership (Limited Partnership)* (國壽雲帆(天津)企業管理合夥企業(有限合夥)), each holding 79.94%, 19.99% and 0.05% of the equity interests in Guoshou Private Equity. To the best knowledge, information and belief of our Directors, pursuant to relevant laws and regulations in China, all the limited partners of Guoshou Private Equity are qualified investors. As of the Latest Practicable Date, Guoshou Private Equity directly held approximately 0.80% of our issued Shares. To the best knowledge of our Directors, Guoshou Private Equity is an Independent Third Party.
24. Hainan Qingshan is a limited partnership established under the laws of the PRC. Shaoxing Keqiao Longzheng Investment Management Co., Ltd.* (紹興柯橋隆正投資管理有限公司) is a limited liability company established under the laws of the PRC and is the general partner of Hainan Qingshan holding 0.2% of the equity interests, which is owned as to 60% by Xi'an Longzheng Enterprise Management Consulting Co., Ltd.* (西安隆正企業管理諮詢有限公司) and 40% by Zhu Xuefeng (朱雪峰), both of whom are Independent Third Parties. As of the Latest Practicable Date, Hainan Qingshan had seven limited partners, being Li Chun'an (李春安), Zhong Baoshen (鐘寶申), Fang Kun (房坤), Zhao Nengping (趙能平), Wang Xuewei (王學衛), Wu Jun (吳軍) and Zhang Chengchen (張承臣), each holding 25.948%, 39.92%, 1.996%, 9.98%, 1.996%, 9.98% and 9.98% of the interests in Hainan Qingshan. To the best knowledge, information and belief of our Directors, the limited partners of Hainan Qingshan are professional investors and independent

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from each other. As of the Latest Practicable Date, Hainan Qingshan directly held approximately 0.80% of our issued Shares. To the best knowledge of our Directors, Hainan Qingshan is an Independent Third Party.

25. Jiaxing Xingneng is a limited partnership established under the laws of the PRC. Xingtou (Beijing) Capital Management Co., Ltd.* (興投(北京)資本管理有限公司) is a limited company established under the laws of the PRC and is the general partner of Jiaxing Xingneng, which is indirectly owned as to 73% by Industrial Bank Co., Ltd* (興業銀行股份有限公司), a company whose shares are listed on the Shanghai Stock Exchange (stock code: 601166). As of the Latest Practicable Date, Jiaxing Xingneng had three limited partners, being Jiangsu Jiequan Green Industry Equity Investment Fund (Limited Partnership)* (江蘇建泉綠色產業股權投資基金(有限合夥)), Fuzhou Economic and Technological Development Zone Xingrui Hesheng Equity Investment Partnership (Limited Partnership)* (福州經濟技術開發區興睿和盛股權投資合夥企業(有限合夥)) and Beijing Xingtou Youyou Venture Capital Fund (Limited Partnership)* (北京興投優選創業投資基金(有限合夥)), each holding 40.00%, 37.42% and 22.48% interests in Jiaxing Xingneng. To the best knowledge, information and belief of our Directors, save that Fuzhou Economic and Technological Development Zone Xingrui Hesheng Equity Investment Partnership (Limited Partnership)* holds 20% of partnership share of Beijing Xingtou Youyou Venture Capital Fund (Limited Partnership)*, and the limited partners of Jiaxing Xingneng are professional investors. As of the Latest Practicable Date, Jiaxing Xingneng directly held approximately 0.80% of our issued Shares. To the best knowledge of our Directors, Jiaxing Xingneng is an Independent Third Party.
26. Nanjing Xing Na Zhou is a limited partnership established under the laws of the PRC. Hainan Xinglan Corporation Management Partnership (Limited Partnership)* (海南星蘭企業管理合夥企業(有限合夥)) is a limited partnership established under the laws of the PRC and the general partner of Nanjing Xing Na Zhou, whose general partner is Ningbo Xinglinxing Investment Management Ltd., Co.* (寧波星鄰星投資管理有限公司) (“**Ningbo Xinglinxing**”). Ningbo Xinglinxing is ultimately controlled by Wang Jianguo (汪建國), an Independent Third Party. As of the Latest Practicable Date, Nanjing Xing Na Zhou had five limited partners, being Hubei Hengxin Yingjia Investment Partnership (Limited Partnership)* (湖北恒信盈加投資合夥企業(有限合夥)), Hainan Xingnabo Enterprise Management Partnership (Limited Partnership)* (海南星納博企業管理合夥企業(有限合夥)), Jiangsu Jiequan Emerging Industry Development Fund (Limited Partnership)* (江蘇建泉新興產業發展基金(有限合夥)), Tianjin Baiyu Enterprise Management Center (Limited Partnership)* (天津柏聿企業管理中心(有限合夥)) and Xia Yan (夏岩), each holding approximately 60.00%, 17.41%, 17.01%, 3.38% and 2.03% of the interests in Nanjing Xing Na Zhou. To the best knowledge, information and belief of our Directors, all the limited partners of Nanjing Xing Na Zhou are qualified investors and independent from each other. As of the Latest Practicable Date, Nanjing Xing Na Zhou directly held approximately 0.80% of our issued Shares. To the best knowledge of our Directors, Nanjing Xing Na Zhou is an Independent Third Party.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

27. Three Gorges Capital is a limited liability company established under the laws of the PRC, which is owned as to 40% by China Three Gorges Group Co., Ltd.* (中國長江三峽集團有限公司) (“**Three Gorges Group**”), 30% by Yangtze Three Gorges Investment Management Co., Ltd.* (長江三峽投資管理有限公司) (“**Three Gorges Investment**”), 10% by China Changjiang Electric Power Co., Ltd.* (中國長江電力股份有限公司) (“**Changjiang Electric**”), 10% by Yunnan Energy Investment Group Co., Ltd.* (雲南省能源投資集團有限公司) (“**Yunnan Energy Investment**”) and 10% by Guoxin Guotong (Zhejiang) investment fund partnership (limited partnership)* (國新國同(浙江)投資基金合夥企業(有限合夥)) (“**Guoxin Guotong**”), all of which are Independent Third Parties. Three Gorges Group is a limited liability company established under the laws of the PRC and a state owned enterprise whose registered capital is contributed by SASAC. Three Gorges Investment is a limited liability company established under the laws of the PRC and is wholly owned by Three Gorges Group, which is wholly controlled by SASAC. Changjiang Electric is a joint stock company with limited liability established under the laws of the PRC, the shares of which are listed on the Shanghai Stock Exchange, with its controlling shareholder being Three Gorges Group. Yunnan Energy Investment is a limited liability company established under the laws of the PRC and as of the Latest Practicable Date, was held as to approximately 83.09%, 10.15% and 6.77% by three Independent Third Parties, namely, Yunnan Province Investment Holding Group Co., Ltd.* (雲南省投資控股集團有限公司) (“**Yunnan Investment Holding**”), Yuntianhua Group Co., Ltd.* (雲天化集團有限責任公司) (“**Yuntianhua**”) and Yunnan Metallurgical Group Co., Ltd.* (雲南冶金集團股份有限公司) (“**Yunnan Metallurgical**”). Yunnan Investment Holding and Yuntianhua are ultimately controlled by the State-owned Assets Supervision and Administration Commission of Yunnan Province. Yunnan Metallurgical is ultimately controlled by SASAC. Guoxin Guotong is a limited partnership whose general partner is Guoxin Guokong (Hangzhou) Investment Management Co., Ltd.* (國新國控(杭州)投資管理有限公司), which is ultimately controlled by the State Council. As of the Latest Practicable Date, Three Gorges Capital directly held approximately 0.80% of our issued Shares. To the best knowledge of our Directors, Three Gorges Capital is an Independent Third Party.
28. Wuhan Jingkai Investment is a limited liability company established under the laws of the PRC, which is wholly owned by the State-owned Assets Supervision and Administration Commission of Wuhan Economic and Technological Development Zone* (武漢經濟技術開發區(漢南區)國有資產監督管理局). As of the Latest Practicable Date, Wuhan Jingkai Investment directly held approximately 0.80% of our issued Shares and 49% of the equity interests in Wuhan Company. Wuhan Jingkai Investment is a connected person of our Company.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

29. Hanshi Precision is a limited liability company established under the laws of the PRC, which is wholly owned by Shenzhen Han Nationality Venture Capital Co., Ltd* (深圳市大族創業投資有限公司) (“**Shenzhen Han**”). Shenzhen Han is a limited liability company established under the laws of the PRC and is wholly owned by Han’s Laser Technology Industrial Holding Co., Ltd.* (大族激光科技產業集團股份有限公司), a company whose shares are listed on the Shenzhen Stock Exchange (stock code: 002008), which is ultimately controlled by Gao Yunfeng (高雲峰), an Independent Third Party. As of the Latest Practicable Date, Hanshi Precision directly held approximately 0.72% of our issued Shares. To the best knowledge of our Directors, Hanshi Precision is an Independent Third Party.
30. Dongtou Liying is a limited partnership established under the laws of the PRC. Donghai Investment Co., Limited* (東海投資有限責任公司) is a limited liability company established under the laws of the PRC and the general partner of Dongtou Liying, which is ultimately controlled by the People’s Government of Changzhou City* (常州市人民政府). As of the Latest Practicable Date, Dongtou Liying had four limited partners, being Jiangsu Jinfeng Cement Co., Ltd.* (江蘇金峰水泥集團有限公司), Changzhou Investment Group Co., Ltd.* (常州投資集團有限公司), Changzhou City Transportation Industry Group Co., Ltd.* (常州市交通產業集團有限公司) and Changzhou Jinling Commerce Co., Ltd.* (常州晉陵商貿有限公司), each holding approximately 75.00%, 8.00%, 4.00% and 2.47% of the interests in Dongtou Liying. To the best knowledge, information and belief of our Directors, the limited partners of Dongtou Liying are all professional investors. Amongst the limited partners of Dongtou Liying, Changzhou Investment Group Co., Ltd.*, Changzhou City Transportation Industry Group Co., Ltd.* and Changzhou Jinling Commerce Co., Ltd.* are ultimately controlled by the People’s Government of Changzhou City* (常州市人民政府). As of the Latest Practicable Date, Dongtou Liying directly held approximately 0.64% of our issued Shares. To the best knowledge of our Directors, Dongtou Liying is an Independent Third Party.
31. Huzhou Haifa is a limited partnership established under the laws of the PRC. Yuanhai Private Equity Fund Management (Tianjin) Co., Ltd.* (遠海私募基金管理(天津)有限公司) is a limited liability company established under the laws of the PRC and the general partner of Huzhou Haifa, which is ultimately controlled by the State-owned Assets Supervision and Administration Commission of the State Council* (國務院國有資產監督管理委員會). As of the Latest Practicable Date, Huzhou Haifa had two limited partners, being China State-owned Enterprise Mixed Ownership Reform Fund Co., Ltd.* (中國國有企業混合所有制改革基金有限公司) and COSCO Shipping Development Co., Ltd.* (中遠海運發展股份有限公司) holding approximately 71.26% and 28.50% of the interests in Huzhou Haifa. To the best knowledge, information and belief of our Directors, China State-owned Enterprise Mixed Ownership Reform Fund Co., Ltd.* is a professional investor and COSCO Shipping Development Co., Ltd.* is a general investor. The limited partners of Huzhou Haifa are independent from each other. As of the Latest Practicable Date, Huzhou Haifa directly held approximately 0.64% of our issued Shares. To the best knowledge of our Directors, Huzhou Haifa is an Independent Third Party.

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32. Yiwu Lexin is a limited partnership established under the laws of the PRC. Shanghai Zhengxin Valley Investment Management Co., Ltd.* (上海正心谷投資管理有限公司) is a limited liability company established under the laws of the PRC and the general partner of Yiwu Lexin, which is wholly owned by Lin Lijun (林利軍), an Independent Third Party. As of the Latest Practicable Date, Yiwu Lexin had five limited partners, being Shanghai Tanying Investment Partnership (Limited Partnership)* (上海檀英投資合夥企業(有限合夥)), Zhuhai Hengqin Xufan Investment Management Partnership (Limited Partnership)* (珠海橫琴旭凡投資管理合夥企業(有限合夥)), Shanghai Xuyu Enterprise Development Co., Ltd.* (上海旭育企業發展有限公司), Zhejiang Lonsen Group Co., Ltd.* (浙江龍盛集團股份有限公司) and Tao Xiaobo (陶筱波), each holding approximately 29.41%, 29.41%, 19.61%, 19.61% and 1.96% of the interests in Yiwu Lexin. To the best knowledge, information and belief of our Directors, save that Shanghai Xuyu Enterprise Development Co., Ltd.*, a limited liability company principally engaged in corporate management consultation and construction projects engineering and Zhejiang Lonsen Group Co., Ltd.*, a company whose shares are listed on the Shanghai Stock Exchange (stock code: 600352) principally engaged in the manufacturing of dye chemicals, the other limited partners of Yiwu Lexin are qualified investors. To the best knowledge, information and belief of our Directors, save that Shanghai Tanying Investment Partnership (Limited Partnership)* and Zhuhai Hengqin Xufan Investment Management Partnership (Limited Partnership)* are ultimately controlled by Lin Lijun (林利軍), the other limited partners are independent from each other. As of the Latest Practicable Date, Yiwu Lexin directly held approximately 0.48% of our issued Shares. To the best knowledge of our Directors, Yiwu Lexin is an Independent Third Party.
33. Hunan Dice Honggang Fund is a limited partnership established under the laws of the PRC. Hunan Dice Runtong Private Fund Management Co., Ltd.* (湖南迪策潤通私募基金管理有限公司) is a limited liability company established under the laws of the PRC and the general partner of Hunan Dice Honggang Fund, which is ultimately controlled by the State-owned Assets Supervision and Administration Commission of People's Government of Hunan Province* (湖南省國有資產監督管理委員會). As of the Latest Practicable Date, Hunan Dice Honggang Fund had three limited partners, being Xiangtan Steel Group Co., Ltd.* (湘潭鋼鐵集團有限公司), Lianyuan Group Co., Ltd.* (漣源鋼鐵集團有限公司) and Hunan Dice Investment Co., Ltd.* (湖南迪策投資有限公司), each holding approximately 45.45%, 36.36% and 18.18% of the interests in Hunan Dice Honggang Fund. To the best knowledge, information and belief of our Directors, Xiangtan Steel Group Co., Ltd.* is a limited liability company principally engaged in the manufacturing and sale of steel, cement and metallurgical equipment, and Lianyuan Group Co., Ltd.* is a limited liability company principally engaged in the manufacturing and sale of steel, coal and its by-products, and Hunan Dice Investment Co., Ltd.* is a professional investor. The three limited partners are ultimately controlled by the State-owned Assets Supervision and Administration Commission of People's Government of Hunan Province* (湖南省國有資產監督管理委員會). As of the Latest Practicable Date, Hunan Dice Honggang Fund directly held approximately 0.32% of our issued Shares. To the best knowledge of our Directors, Hunan Dice Honggang Fund is an Independent Third Party.

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34. Wuhan Industrial Investment Zhongjing is a limited partnership established under the laws of the PRC. Wuhan Zhongjing Rongxin Equity Investment Fund Management Co., Ltd.* (武漢中經融信股權投資基金管理有限公司) is a limited liability company established under the laws of the PRC and the general partner of Wuhan Industrial Investment Zhongjing, whose ultimately beneficial owners are Yang Chenming (楊陳明) and Guo Jinying (號金英), both of whom are Independent Third Parties. As of the Latest Practicable Date, Wuhan Industrial Investment Zhongjing had three limited partners, being Jiangmen Hongyang Intelligent Equipment Co., Ltd.* (江門泓洋智能裝備有限公司), Jiangmen Tuyuan Machinery Manufacturing Co., Ltd.* (江門市途遠機械製造有限公司) and Wang Dingtao (汪定濤), each holding approximately 55.55%, 27.78% and 16.67% of the interests in Hunan Hualing. To the best knowledge, information and belief of our Directors, Jiangmen Hongyang Intelligent Equipment Co., Ltd.* is a limited liability company principally engaged in the manufacturing and intelligent basic manufacturing equipments, and Jiangmen Tuyuan Machinery Manufacturing Co., Ltd.* is a limited liability company principally engaged in the manufacturing and sale of machinery equipment, and Wang Dingtao (汪定濤) is a qualified investor. The three limited partners of Wuhan Industrial Investment Zhongjing are independent from each other. As of the Latest Practicable Date, Wuhan Industrial Investment Zhongjing directly held approximately 0.29% of our issued Shares. To the best knowledge of our Directors, Wuhan Industrial Investment Zhongjing is an Independent Third Party.
35. Aviation Industry Integration Fund is a limited partnership established under the laws of the PRC. Qingdao Honghua Private Equity Management Co., Ltd.* (青島弘華私募基金管理有限公司) and Beijing Yuhua Fund Management Co., Ltd.* (北京譽華基金管理有限公司) are limited liability companies established under the laws of the PRC and the general partners of Aviation Industry Integration Fund, which are ultimately controlled by AVIC. As of the Latest Practicable Date, Aviation Industry Integration Fund had six limited partners, being China Aviation Emerging Industry Investment Co., Ltd.* (中航產業投資有限公司), Qingdao Chengsheng Investment Management Co., Ltd.* (青島城盛投資管理有限公司), Luoyang Ancient Capital Development Group Co., Ltd.* (洛陽古都發展集團有限公司), Chengfa Development Group (Qingdao) Industrial Capital Management Co., Ltd.* (城發集團(青島)產業資本管理有限公司), Qingdao Haikong Group Financial Holding Co., Ltd.* (青島海控集團金融控股有限公司), Qingdao Guide Fund Investment Co., Ltd.* (青島市引導基金投資有限公司) and each holding approximately 29.70%, 19.80%, 19.80%, 9.90%, 9.90% and 9.90% of the interests in Aviation Industry Integration Fund. To the best knowledge, information and belief of our Directors, all the limited partners are professional investor. Save that Chengfa Development Group (Qingdao) Industrial Capital Management Co., Ltd.* and Qingdao Haikong Group Financial Holding Co., Ltd.* are ultimately controlled by State-owned Assets Development Center of Huangdao District, Qinghai City* (青島市黃島區國有資產發展中心), the other limited partners are independent from each other. As of the Latest Practicable Date, Aviation Industry Integration Fund directly held approximately 0.80% of our issued Shares. To the best knowledge of our Directors, Aviation Industry Integration Fund is an Independent Third Party.

ACQUISITION AND DISPOSAL OF LUOYANG COMPANY

On the date of establishment of our Company, Luoyang Company was an initial controlling Shareholder, which held 30% equity interests of our Company. On April 22, 2019, Luoyang Company and Chengfei Integration entered into an equity transfer agreement, pursuant to which Luoyang Company agreed to transfer its 30% equity interest in our Company to Chengfei Integration. Upon completion of the aforesaid equity transfer, Luoyang Company ceased to be a Shareholder of our Company.

Acquisition of 73.36% equity interests in Luoyang Company by our Company from Chengfei Integration and Jinsha Investment

On April 22, 2019, Chengfei Integration agreed to transfer its 45% equity interests in Luoyang Company to our Company at a consideration of RMB1,094.28 million which was determined with reference to the value of the entire shareholders' equity interests of Luoyang Company as of June 30, 2018 as valued by an independent valuer. Please see "Equity transfer and capital increases in July 2019" in this section in respect of the settlement of the consideration. On the same day, Chengfei Integration and Jinsha Investment agreed to subscribe for certain amount of the increased registered capital of our Company by transferring 18.98% and 9.38% of their respective equity interests in Luoyang Company as consideration to our Company. The consideration in respect of the capital increases were determined after arm's length negotiation among the parties with reference to the net asset value of our Company and Luoyang Company, respectively, as of 30 June, 2018. For further details, please see "Equity transfer and capital increases in July 2019" in this section. Upon completion of the aforesaid equity transfer and capital increases, Luoyang Company ceased to be a Shareholder of our Company and became a non-wholly subsidiary of our Company, which was owned as to 73.36% by us, 13.62% by Missile Academy, 4.84% by Aviation Investment, 2.99% by Zhongguancun Guosheng, 2.27% by Aviation Investment, 1.92% by Hongdu Airline and 1.01% by Luoyang Xinghang, respectively.

The acquisition of Luoyang Company during the Track Record Period constituted a material acquisition of subsidiary as one of the applicable percentage ratios under Rule 14.07 of the Listing Rules was more than 25% but less than 100%. As a result, the aforementioned acquisition was classified as a major acquisition under Chapter 14 of the Listing Rules. Please see Part C of the Accountant's Report in Appendix I to this prospectus for the pre-acquisition financial information on Luoyang Company.

Acquisition of 1.01% equity interests in Luoyang Company by our Company from Luoyang Xinghang

On December 24, 2020, Luoyang Xinghang entered into an equity transfer agreement with our Company, pursuant to which, it agreed to transfer its 1.01% equity interests in Luoyang Company to our Company at a consideration of RMB22.518 million, which was determined with reference to the net asset value of Luoyang Company as of December 31, 2019 by an independent valuer. Upon completion of the aforesaid equity transfer, Luoyang Company was owned as to 74.37% by our Company and 25.63% in aggregate by Luoyang Company Minority Shareholders.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Disposal of 51% equity interests in Luoyang Company by our Company

Luoyang Company and its subsidiaries are principally engaged in the design, R&D, production and sales of EV battery for civil and military industrial use and ESS products. Having considered that (i) the exclusion of Luoyang Company will minimize the uncertainties and constraint involved in the preparation of Listing and any subsequent capital action of our Company after our Listing given the relatively complicated and uncertain review and approval procedures of the relevant authorities concerning the military industrial business; (ii) the exclusion of Luoyang Company would ensure effective and timely disclosure of our Group's material information in compliance with the requirements of the Listing Rules to our Shareholders and potential investors of our Company after Listing; and (iii) if Luoyang Company remains as our subsidiary, there may be potential impact arising from the military industrial business engaged by Luoyang Company on our Group's operation, we decided to exclude Luoyang Company from our Group. For further details of our business arrangement with Luoyang Company, please see "Relationship with Jintan Group" and "Connected transactions" of this prospectus.

On October 18, 2021, our Company entered into an equity transfer agreement with Jincheng Technology pursuant to which our Company agreed to sell and Jincheng Technology agreed to purchase 51% of the equity interest in Luoyang Company at the consideration of RMB1,530 million (the "**51% Luoyang Company Disposal**"). The consideration was determined based on market value of Luoyang Company as of December 31, 2020 as valued by an independent valuer (the "**2020 Valuation**"). The transfer was completed on November 8, 2021. Upon the completion of the aforesaid transfer, Luoyang Company was held as to 51%, 23.37% and 25.63%, respectively, by Jincheng Technology, our Company and Luoyang Company Minority Shareholders, and therefore, Luoyang Company ceased to be a subsidiary of our Company and became an associate of the Company since November 2021. Having considered the Non-Competition Agreement entered into by Jintan Group which resulted in material change in the operation mode and profit forecast of Luoyang Company, on March 2, 2022, our Company and Jincheng Technology entered into a supplemental agreement in respect of the 51% Luoyang Company Disposal, pursuant to which, our Company agreed to compensate Jincheng Technology in the amount of RMB 397.80 million (being the difference between the 2020 Valuation and the valuation of Luoyang Company as of December 31, 2021 (the "**2021 Valuation**") multiplied by 51%). Such compensation has been settled by our Company by partially offsetting the consideration to be paid by Jincheng Technology to our Company pursuant to the 51% Luoyang Company Disposal. Please also see "Relationship with Jintan Group – Non-Competition Agreement" for further details of the compensation arrangement between our Company and Jincheng Technology. For details of transactions between our Group and Luoyang Company after the disposal, please see "Connected transactions" of this prospectus.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Acquisition of an aggregate of 25.63% equity interests in Luoyang Company by our Company

On October 15, 2021 and October 20, 2021, the Luoyang Company Minority Shareholders agreed to subscribe for certain amount of increased registered capital of our Company by transferring an aggregate of 25.63% equity interests in Luoyang Company. For further details on equity transfer by Luoyang Company Minority Shareholders, please see “Capital increase in November 2021” in this section. Upon completion of the aforementioned transfers, Luoyang Company was owned as to 49% by our Company and 51% by Jincheng Technology.

Disposal of remaining 49% equity interests in Luoyang Company by our Company

Having further considered the potential impact and further risk arising from the military industrial business engaged by Luoyang Company (being an associate of our Company after the 51% Luoyang Company Disposal) on our Group’s operation, in order to minimize the impact and potential risk which could be resulted from the military industrial business engaged by Luoyang Company and to implement our Group’s globalization strategy, on March 3, 2022, our Company entered into an equity transfer agreement with Jinhang Holding, pursuant to which, we agreed to transfer our remaining 49% equity interests in Luoyang Company to Jinhang Holding at a consideration of RMB1,087.80 million (the “**49% Luoyang Company Disposal**”), which was determined with reference to the 2021 Valuation as valued by an independent valuer and is expected to be fully settled by Jinhang Holding prior to our Listing. Upon completion of the 49% Luoyang Company Disposal, Luoyang Company is owned as to 51% by Jincheng Technology and 49% by Jinhang Holding and our Company ceased to have any interest in Luoyang Company.

Given that (i) Luoyang Company agrees to use its best endeavour to procure its existing customers of EV battery products for civil use and ESS products to enter into business contracts with our Group after the existing business contracts with Luoyang Company have been duly performed and as of the Latest Practicable Date, all the incomplete contracts of Luoyang Company for EV batteries for civil use and ESS products had been duly performed. As of the Latest Practicable Date, 45 out of 49 of Luoyang Company’s customers for EV batteries for civil use and ESS products (“**Luoyang Company’s Customers**”) had entered into production contracts with our Group, and the aggregate contract amount of such production contracts entered into by our Group after the disposal of Luoyang Company in November 2021 up to March 31, 2022 and subsequent to the Track Record Period were approximately RMB527.18 million and RMB28.8 million, respectively. The newly signed production contracts between our Group and 45 Luoyang Company’s Customers are on similar terms with the contracts entered into between those customers with Luoyang Company; (ii) the military industrial business retained by Luoyang Company is very limited in scale as compared to our Group’s operations; and (iii) by entering into the entrusted processing framework agreement with Luoyang Company, our Group is able to meet the current and increasing demand of our clients by engaging Luoyang Company to provide entrusted processing services to us with its current production capacity while we are continuing to scale up our operation, our Directors consider that the disposal of Luoyang Company will not have a material adverse effect on the business operations of our Group.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

As advised by our PRC Legal Advisor, there had been no material non-compliance of Luoyang Company during the Track Record Period.

POST-TRACK RECORD PERIOD ACQUISITION

Investment in Tianqi Lithium

Considering the core competitiveness, strategic value and growth potential as a leading new energy materials company of Tianqi Lithium Corporation (天齊鋰業股份有限公司) (“**Tianqi Lithium**”) (a joint stock company established in the PRC and whose shares are listed on the Shenzhen Stock Exchange (stock code: 002466) and the Main Board of the Stock Exchange (stock code: 9696)) to our business and Tianqi Lithium being one of our long-term strategic partners, on June 28, 2022 our Company entered into a cornerstone investment agreement with Tianqi Lithium and among others, pursuant to which our Company agreed to subscribe for 4,739,000 H shares in Tianqi Lithium (representing approximately 0.3% of Tianqi Lithium’s total issued share capital upon the completion of its global offering) at the investment amount of approximately US\$49.50 million, which has been fully paid in cash by our Company through qualified domestic institutional investor on July 11, 2022.

Tianqi Lithium is a new energy materials company in the PRC with lithium at its core operating in critical stages of the lithium value chain. According to the prospectus of Tianqi Lithium, its total assets amounted to approximately RMB45,800.4 million as of December 31, 2021, and its revenue and gross profit amounted to approximately RMB7,597.9 million and RMB4,687.9 million for the year ended December 31, 2021, respectively. Tianqi Lithium is a China’s top and world-leading new energy materials company. According to the Wood Mackenzie Report, in terms of production volume in 2020, Tianqi Lithium is the world’s largest lithium ore producer, the fourth largest lithium compound producer in the world and the second largest lithium compound producer in Asia; Tianqi Lithium ranked third globally in terms of the revenue generated from sales of lithium for the year 2020 and is the second largest lithium carbonate supplier in terms of production volume for the year 2020 which occupied a market share of 6.4%, and was also one of the ten largest global battery grade lithium hydroxide supplier.

Tianqi Lithium is an important strategic partner of our Company and has maintained a good long-term cooperative relationship with our Company. As a cornerstone investor, our Company’s investment in Tianqi Lithium is the development philosophy of our Company to adhere to the “mutually achievement and win-win” principle. On the basis of a high degree of strategic mutual trust between both parties, we further strengthened our strategic cooperation with high-quality upstream enterprises and steadily promoted the development of the industrial chain of both parties. The investment is in line with our Company’s long-term business needs and is conducive to strengthening the synergy of the development of the industrial chain, which further ensures the stability of the supply of key upstream resources of our Company and corresponds with the strategic development plan of our Company. To the best of the information, knowledge and believe of the Directors having made all reasonable enquiries, Tianqi Lithium and their ultimate beneficial owners involved in the Tianqi Lithium Acquisition are independent third parties of the Company and its connected persons.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

COMPLIANCE WITH LAWS AND REGULATIONS

As of the Latest Practicable Date, the establishment of our Company and transfers of equity interests and changes in registered capital (where applicable) has been properly and legally completed in compliance with the applicable laws and regulations.

As advised by our PRC Legal Advisor, our Company has obtained relevant approvals or confirmation and has registered or filed with the relevant competent authorities in accordance with the relevant laws and regulations in respect of its establishment and subsequent transfers of equity interests and changes in registered capital (where applicable) up to the Latest Practicable Date, and the establishment of our Company and subsequent transfers of equity interests and changes in registered capital (where applicable) up to the Latest Practicable Date are effective and legally binding.

PUBLIC FLOAT

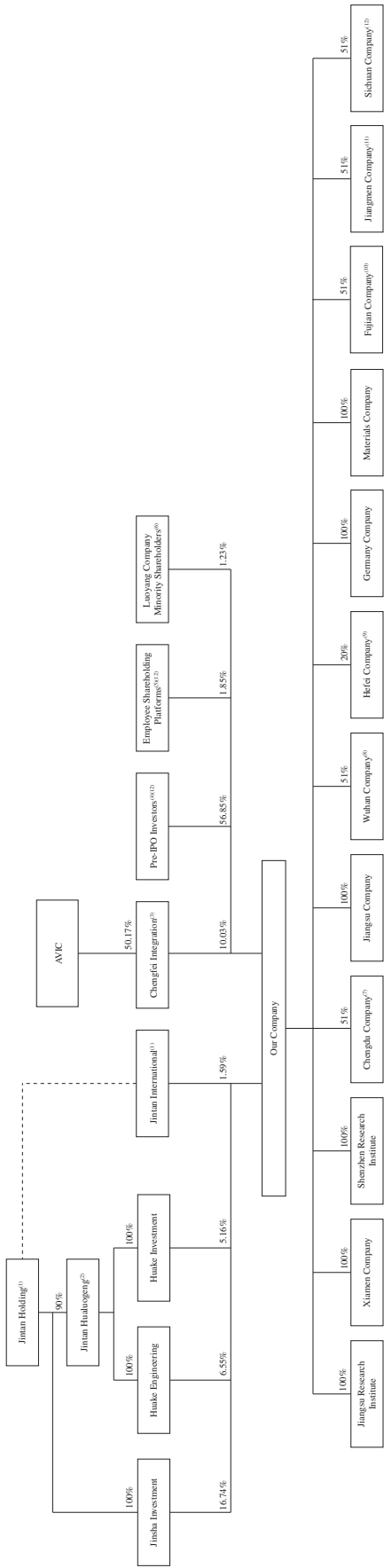
The 1,506,456,558 Shares held by all existing Shareholders, representing approximately all of our total issued Shares as of the Latest Practicable Date, or approximately 85.0% of our total issued Shares upon Global Offering (assuming the Over-allotment Option is not exercised), or approximately 83.25% of our total issued Shares upon exercise of the Over-allotment Option in full, will not be considered as part of the public float as the Shares they hold are Domestic Shares which will not be converted into H Shares and public float following the completion of the Global Offering.

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

Based on the minimum Offer Price and assuming the Over-allotment Option is not exercised, we expected that our market capitalization will be approximately HK\$57.25 billion. We have applied to the Stock Exchange, and the Stock Exchange has granted us, a waiver from strict compliance with the requirements of Rule 8.08(1)(a) of the Listing Rules. Therefore, the minimum public float of our Company will be the higher of (1) 13.08% of the total issued share capital of our Company; or (2) such percentage of Shares to be held by the public H Shareholders immediately after the completion of the Global Offering and the last exercise of the Over-allotment Option (if any). Please see “Waivers From Strict Compliance With the Listing Rules” in this prospectus for further details.

OUR CORPORATE STRUCTURE AND SHAREHOLDING STRUCTURE

The following chart sets out our shareholding structure immediately before completion of the Global Offering:

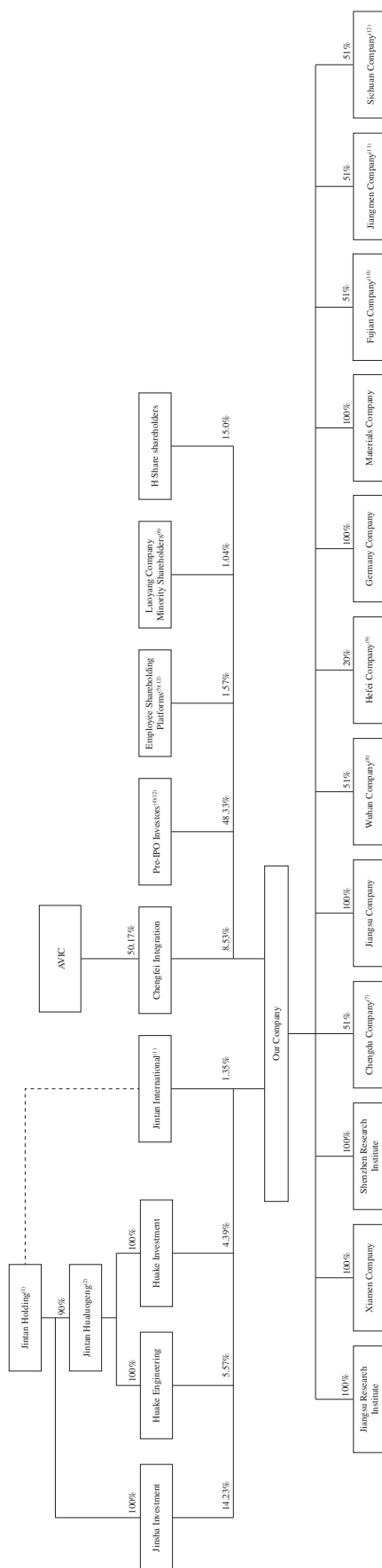


Notes:

1. Jintan Holding is wholly owned by the Government of Jintan District. The investment by Jintan International in our Company was made in accordance with the instructions of Jintan Holding and Jintan International exercises its voting rights in our Company in accordance with the instructions of Jintan Holding.
2. The remaining 10% interest of Jintan Hualuogeng is held by Changzhou Investment Group Co., Ltd.* (常州投資集團有限公司), which is ultimately controlled by the Municipal Government of Changzhou.
3. Chengfei Integration is a company listed on the Shenzhen Stock Exchange (stock code: 002190) and its largest shareholder is AVIC as of the Latest Practicable Date.
4. Please see “Pre-IPO Investments” in this section for further details of the Pre-IPO Investors.

5. Immediately before completion of the Global Offering, the Employee Shareholding Platforms include Changzhou Lihang Kaibo No. 11, Xiamen Lihang Kaibo No. 1, Changzhou Lihang Kaibo No. 1, Changzhou Lihang Kaibo No. 2, Changzhou Lihang Kaibo No. 3, Changzhou Lihang Kaibo No. 4, Changzhou Lihang Kaibo No. 5, Changzhou Lihang Kaibo No. 6, Changzhou Lihang Kaibo No. 7, Changzhou Lihang Kaibo No. 8, Changzhou Lihang Kaibo No. 9 and Changzhou Lihang Kaibo No. 10, which hold approximately 0.57%, 0.38%, 0.11%, 0.09%, 0.07%, 0.08%, 0.16%, 0.11%, 0.04%, 0.13%, 0.06% and 0.05% of the interest in our Company, respectively. Please see “Statutory and General Information – 5. Share Incentive Schemes” in Appendix VI to this prospectus for further details of the Employee Shareholding Platforms.
6. The Luoyang Company Minority Shareholders comprise Missile Academy, Shunying Investment, Zhongguancun Guosheng, China Aviation Investment Holding Company and Hongdu Airline, which holds approximately 0.65%, 0.23%, 0.14%, 0.11% and 0.09% of the Shares of our Company immediately before completion of the Global Offering, respectively.
7. The remaining 49% of the equity interests in Chengdu Company was held by Chengdu Heavy Industry Longjin.
8. The remaining 49% of the equity interests in Wuhan Company was held by Wuhan Jingkai Investment.
9. The remaining 80% of the equity interests in Hefei Company was held by Hefei Beicheng Investment. Pursuant to the voting rights entrustment agreement and acting-in-concert agreement entered into between our Company and Hefei Beicheng Investment on September 25, 2021, Hefei Beicheng Investment agreed to entrust the voting rights representing 31% of the equity interests in Hefei Company to our Company for a period of seven years commencing from the date of the aforesaid agreements. Furthermore, pursuant to the articles of association of Hefei Company, the board of directors of Hefei Company shall comprise of three directors, of which our Company is entitled to nominate two directors while Hefei Beicheng Investment is entitled to nominate one director. In light of the aforesaid arrangement, our Company has over 50% of voting rights in Hefei Company and the control of the board of directors of Hefei Company, and Hefei Company is therefore deemed as a subsidiary of our Company and its financials are consolidated into the accounts of our Company.
10. The remaining 49% of the equity interests in Fujian Company was held by Jinyuan Industry.
11. The remaining 49% of the equity interests in Jiangmen Company was held by Jiangmen New Energy.
12. The remaining 49% of equity interests in Sichuan Company was held by Meishan Guidance Fund.
13. Lihang Jinzhi, Jinyuan Investment, Jinyuan Industry, Xiamen Jinli No. 2 and Jinli Investment are our Pre-IPO Investors. Since each of Lihang Jinzhi, Jinyuan Industry, Xiamen Jinli No. 2 and Jinli Investment was ultimately controlled by Jinyuan Investment, therefore Jinyuan Investment is deemed to be interested in the Shares held by aforesaid entities in the Company. Accordingly, Jinyuan Investment directly and indirectly controls an aggregate of approximately 16.85% of our Company’s voting rights immediately prior to the Global Offering. Please see “Substantial Shareholders” in this prospectus for further details. In addition, the executive partner of Lihang Jinzhi (being Xiamen Lihang Equity Investment), holding approximately 0.66% of Lihang Jinzhi’s capital, is one of our Employee Shareholding Platforms established for the purpose of the implementation of the 2019 Share Incentive Scheme. For further details of the 2019 Share Incentive Scheme, please see to the section headed “Statutory and General Information – 5. Share Incentive Schemes – A. 2019 Share Incentive Scheme” in Appendix VI to this prospectus.

The following chart sets out our shareholding structure immediately after the completion of the Global Offering (assuming the Over-allotment Option is not exercised):



Notes:

1. Jintan Holding is wholly-owned by the Government of Jintan District. The investment by Jintan International in our Company was made in accordance with the instructions of Jintan Holding and Jintan International exercises its voting rights in our Company in accordance with the instructions of Jintan Holding.
2. The remaining 10% interest of Jintan Hualuogeng is held by Changzhou Investment Group Co., Ltd.* (常州投資集團有限公司), which is ultimately controlled by the Municipal Government of Changzhou.
3. Chengfei Integration is a company listed on the Shenzhen Stock Exchange (stock code: 002190) and its largest shareholder is AVIC as of the Latest Practicable Date.
4. Please see “Pre-IPO Investments” in this section for further details of the Pre-IPO Investors.

5. Immediately upon completion of the Global Offering, the Employee Shareholding Platforms include Changzhou Lihang Kaibo No. 11, Xiamen Lihang Kaibo No. 1, Changzhou Lihang Kaibo No. 1, Changzhou Lihang Kaibo No. 2, Changzhou Lihang Kaibo No. 3, Changzhou Lihang Kaibo No. 4, Changzhou Lihang Kaibo No. 5, Changzhou Lihang Kaibo No. 6, Changzhou Lihang Kaibo No. 7, Changzhou Lihang Kaibo No. 8, Changzhou Lihang Kaibo No. 9 and Changzhou Lihang Kaibo No. 10, which hold approximately 0.48%, 0.32%, 0.09%, 0.08%, 0.06%, 0.07%, 0.14%, 0.09%, 0.03%, 0.11%, 0.05% and 0.04% of the interest in our Company, respectively. Please see “Statutory and General Information – 5. Share Incentive Schemes” of Appendix VI to this prospectus for further details of the Employee Shareholding Platforms.
6. The Luoyang Company Minority Shareholders comprise Missile Academy, Shunying Investment, Zhongguancun Guosheng, China Aviation Investment Holding Company and Hongdu Airline, which holds approximately 0.55%, 0.20%, 0.12%, 0.09% and 0.08% of the Shares of our Company immediately after completion of the Global Offering, respectively.
7. The remaining 49% of the equity interests in Chengdu Company was held by Chengdu Heavy Industry Longjin.
8. The remaining 49% of the equity interests in Wuhan Company was held by Wuhan Jingkai Investment.
9. The remaining 80% of the equity interests in Hefei Company was held by Hefei Beicheng Investment. Pursuant to the voting rights entrustment agreement and acting-in-concert agreement entered into between our Company and Hefei Beicheng Investment on September 25, 2021, Hefei Beicheng Investment agreed to entrust the voting rights representing 31% of the equity interests in Hefei Company to our Company for a period of seven years commencing from the date of the aforesaid agreements. Furthermore, pursuant to the articles of association of Hefei Company, the board of directors of Hefei Company shall comprise of three directors, of which our Company is entitled to nominate two directors while Hefei Beicheng Investment is entitled to nominate one director. In light of the aforesaid arrangement, our Company has over 50% of voting rights in Hefei Company and the control of the board of directors of Hefei Company, and Hefei Company is therefore deemed as a subsidiary of our Company and its financials are consolidated into the accounts of our Company.
10. The remaining 49% of the equity interests in Fujian Company was held by Jinyuan Industry.
11. The remaining 49% of the equity interests in Jiangmen Company was held by Jiangmen New Energy.
12. The remaining 49% of equity interests in Sichuan Company was held by Meishan Guidance Fund.
13. Lihang Jinzhi, Jinyuan Investment, Jinyuan Industry, Xiamen Jinli No. 2 and Jinli Investment are our Pre-IPO Investors. Since each of Lihang Jinzhi, Jinyuan Industry, Xiamen Jinli No. 2 and Jinli Investment was ultimately controlled by Jinyuan Investment, therefore Jinyuan Investment is deemed to be interested in the Shares held by aforesaid entities in the Company. Accordingly, Jinyuan Investment directly and indirectly controls an aggregate of approximately 14.32% of our Company’s voting rights immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercise). Please see “Substantial Shareholders” in this prospectus for further details. In addition, the executive partner of Lihang Jinzhi (being Xiamen Lihang Equity Investment), holding approximately 0.66% of Lihang Jinzhi’s capital, is one of our Employee Shareholding Platforms established for the purpose of the implementation of the 2019 Share Incentive Scheme. For further details of the 2019 Share Incentive Scheme, please see “Statutory and General Information – 5. Share Incentive Schemes – A. 2019 Share Incentive Scheme” in Appendix VI to this prospectus.

OVERVIEW

We are a leading new energy technology company mainly engaged in the design, R&D, production and sales of EV batteries and ESS products.

Market Ranking

In terms of installed capacity:

- we, with a 5.7% market share in 2020, 5.9% market share in 2021 and 8.2% market share for the three months ended March 31, 2022, ranked fourth and third in 2020; and third and second in both 2021 and the three months ended March 31, 2022, among EV battery companies in China and among third-party EV battery companies in China^{Note 1 & Note 2}, respectively;
- we, with a 2.7% market share in 2020, 3.2% market share in 2021 and 4.5% market share for the three months ended March 31, 2022, ranked seventh, seventh and sixth globally among EV battery companies, respectively; and
- we were the only company with over 100% year-on-year growth rate from 2019 to 2021 among the top ten EV battery companies in China^{Note 3} in 2021.

Competitive Edge and Achievements

Leading EV battery companies must possess comprehensive strengths in advanced R&D capability, product capability and operation and production scale to meet the stringent requirements of and ongoing demand for EV battery from NEV manufacturers.

Our comprehensive strengths allow us to become one of the leading EV battery companies, in terms of installed capacity, which is one of the most typical indicators to demonstrate the comprehensive abilities of an EV battery manufacturer. Our competitive edges can be illustrated through the following aspects:

R&D capability

We have strong R&D capability and an established R&D team, which is why we are a leading entity and are competitive in the EV battery industry (an industry that requires frequent technological iteration and advancement).

Note 1: Third-party EV battery companies indicate those companies who do not engage in vehicle manufacturing and the EV battery products are mainly sold to external customers instead of their own brand of vehicles.

Note 2: In terms of installed capacity in 2021: (i) the top-three EV battery companies are CATL (market share of 52.1%), BYD (market share of 16.2%) and us (market share of 5.9%), and (ii) CATL is the largest third-party EV battery company, and we are the second largest. In terms of installed capacity for the three months ended March 31, 2022: (i) the top-three EV battery companies are CATL (market share of 49.8%), BYD (market share of 20.3%) and us (market share of 8.2%), and (ii) CATL is the largest third-party EV battery company, and we are the second largest.

Note 3: Entities with installed capacities of less than 0.1 GWh for two years in a row are not applied for calculating year-on-year growth rate.

EV and ESS battery R&D and manufacturing requires integrated technologies, a long-term accumulation of talents and technologies, and such high technology barrier is challenging to new players who plan to enter the market. As one of the few EV battery companies with comprehensive independent R&D capabilities and the ability to solely complete the production of EV batteries, our innovative capability allowed us to develop a series of advance technologies to apply in our first-to-the-market products, including:

- the high-voltage ternary battery, which features high energy density, long battery life and excellent safety, making it one of the best battery system solutions for passenger vehicles with mass capacity installation;
- the “magazine battery”, which is the first of its kind in the industry to prevent fire in the nail penetration test of the ternary battery system. Our “magazine battery” significantly improves the thermal safety level of the ternary battery system; and
- “One-stop Bettery^{Note 1}” battery with the newly developed minimalist structure, which has advantages in energy density, safety and economy and was also the first of its kind in the industry.

Our R&D team is composed of over 2,900 R&D personnel with multi-disciplinary and extensive industry experience. In addition, we have an all-round patent portfolio of over 1,200 patents that covers the entire battery industry chain. Leveraging on the aforementioned, we are able to be the first-mover in technology innovation in this industry. According to Frost & Sullivan, the number of our R&D personnel in proportion to our total employees is higher than the average of listed companies in the top ten enterprises in the EV battery industry. Our in-depth understandings of the industry was highly recognized as we actively participated in the formulation of national and industry-related standards, whereby only leading enterprises can participate in the formulation of the relevant standards. We are also invited to join national R&D programs and are the Jiangsu Provincial Enterprise Technology Center awarded by Jiangsu Provincial Industry and Information Technology Department, for details, please refer to “Our strengths” below.

Product Capability

Our market leading product capability, in terms of energy density and safety, successfully satisfies two of the key requirements/features of our end customers.

Note 1: Bettery is a term for better battery.

Energy density and safety performance are two key features of EV batteries and it is important for EV battery product to balance high energy density and consistent safe performance within EV batteries for NEV, and to support long driving range that are similar to that of traditional vehicles can do. Our products possess both high energy density and consistent safety performance:

- The driving range that a NEV can achieve after fully charged, which is determined by battery energy density, is one of the key determining factor for purchasing NEV. Energy density is a core indicator for measuring EV battery performance. Generally, under the same conditions, the higher the energy density is, the longer the driving range of a NEV will be. However, simply increasing energy density will raise the safety risk of batteries. For instance, increasing the content of nickel metal in ternary battery can effectively improve energy density, but could also lead to lower battery safety performance as nickel is relatively active. Therefore, the pursuit of a balance between high energy density and great safety performance is of significance to the EV battery industry.

Through high-voltage technology, our Company has achieved the ternary battery cell energy density of 260Wh/kg and 280Wh/kg for medium-nickel high-voltage 5-series and 6-series battery products, respectively, allowing NEV installed with our products to achieve longer driving range up to 800km, which could parallel that of the 8-series EV batteries available on the market, and provide a better safety performance over such 8-series EV batteries. In addition, according to Frost & Sullivan, in the 55th batch of Catalogue of New Energy Vehicle Models Exempted from Vehicle Purchase Tax released by the MIIT in June 2022, less than 5% of the models were equipped with battery system energy density of more than 180Wh/Kg. Our battery system provided an energy density of up to 225Wh/kg, well above the industry average level. Such EV battery products have been widely recognized by leading NEV manufacturers and successfully installed in many best-selling models of leading NEV manufacturers.

- Battery safety performance is a priority when evaluating the performance of electric vehicles. Pursuit of higher level of safety has always been the goal of the EV battery industry. Nail penetration test is one of the most rigorous EV battery safety performance tests in the industry. Such test requires that the EV battery pack to not explode or catch fire due to thermal runaway^{Note 1} when it is entirely penetrated by a steel nail under required conditions. Such test aims to simulate the scenario that when encountering thermal runaway^{Note 1} by internal fault or unexpected damages, the EV batteries would not explode or catch fire and leave enough time for passengers to escape. Thus, the EV batteries which passed the nail penetration test represent a very high level of battery safety.

Note 1: Thermal runaway refers to the phenomenon that the battery temperature rises uncontrollably due to the exothermic chain reaction of the battery cells.

Up to the end of 2021, only two NEV brands in China have published the “pass” result for ternary battery nail penetration test, which represent the leading safety level of ternary battery in the world. The batteries for one of the brands were provided by our Company. The “magazine battery” launched by our Company is the first of its kind in the industry to prevent fire in the nail penetration test of the ternary battery system, which significantly improves the thermal safety level of the ternary battery system and realized satisfactory application.

- During the Track Record Period and up to the Latest Practicable Date, (i) we had not received any material complaints relating to product quality; and (ii) we had not experienced any product recalls or fatal accidents due to product defects. Given our product capability, we are able to compete effectively with other industry players.

Production Capability

Our scaled operation and ability to consistently and stably supply quality products allows us to meet the strict demands of our end customers in the quantity desired.

During the Track Record Period, we experienced rapid growth and attained an accumulated 19.43GWh sales volume of EV batteries. According to Frost & Sullivan, accumulated sales volume of over 10GWh of EV batteries is a key industry production benchmark for leading EV battery manufacturers.

Our production bases are equipped with fully-automated assembly lines, featuring industry-leading automation, digitalization and intelligent mechanisms. Through real-time control of the manufacturing process throughout the production life cycle, we ensure the smooth and efficient operation of the entire manufacturing process, combined with standardized processes to achieve rapid process upgrades and product iterations, so as to continuously and stably deliver products that meet customer needs. The ability to consistently meet our customer needs, in turn, contributed to our high utilization rate, which attained 90.6%, 92.0%, 95.1%, for the years ended December 31, 2019, 2020 and 2021, respectively, and 95.9% for the three months ended March 31, 2022. According to Frost & Sullivan, our utilization rate is higher than that of the industry average. Moreover, our ability to efficiently expand/construct production base allows us to quickly meet the increase in demand from our customers.

Our well-known customer portfolio

Our customer portfolio helps us build market recognition, which in turn, enables us to continue to build our strong and diverse customer portfolio.

Our advanced R&D capabilities, competitive product capabilities and scaled production capabilities allowed us to accumulate our well-known customer portfolio and attract more new customers domestically and internationally during the Track Record Period and thereafter.

BUSINESS

Our products have been delivered to industry-leading NEV manufacturers, including well-known domestic auto manufacturers such as GAC Aion, Changan NEV, Virid E-mobility Technology (Ningbo) Co., Ltd. (威睿電動汽車技術(寧波)有限公司) (an affiliate of Geely Automobile Group Co., Ltd.), Leapmotor and Customer X, a leading NEV brand. Our products are sold to five of the top ten NEV manufacturers (in terms of NEV passenger vehicle sales) in China in the first half of 2022. Such result further demonstrates that we possess continued demand from reputable customers. Not only do we supply to such customers, but we also formed close collaboration with our major customers, including Customer G and Customer X, to develop new products that meet their needs.

We have strong customer loyalty as evidenced by our year-on-year and quarter-on-quarter growth in sales with our major customers during the Track Record Period, and we are one of the largest suppliers to our major customers. As of June 30, 2022, our penetration rate for Customer G, Customer C, Customer X and Customer L was approximately 44%, 20%, 52% and 30%, respectively. Moreover, with the rapid expansion of our production capacity, we have also sought and successfully developed new customers and expanded our high-quality customer base. We carried out mass deliveries of our high-voltage fast-charging batteries for the global models of a world-renowned German automobile manufacturer since June 2022. In addition, we plan to start mass deliveries for the global models of another international auto manufacturer in the fourth quarter of 2022.

Our management team views advancing energy innovation and making the world a better place as its mission. Our vision attracts employees with the same values. We believe the shared mission contributed to our employee stability and dedication, and when coupled with the excellent leadership of our management, our mission is carried out through dedication to customers, to products and to the industry.

Our total revenue increased from RMB1,733.8 million in 2019 to RMB6,817.1 million in 2021, representing a CAGR of 98.3% from 2019 to 2021. The sales volume of our EV batteries increased from 1.62GWh in 2019 to 9.31GWh in 2021, with a CAGR of 139.7% from 2019 to 2021. Our sales volume of ESS products increased from 0.2GWh in 2019 to 0.67GWh in 2021, representing a CAGR of 83.0% from 2019 to 2021.

OUR MISSION AND VISION

We shoulder the mission of energy safety for mankind. We drive the positive development of the industry with innovative concepts and leading core technologies.

Adhering to our corporate spirit of “beyond commerce, bettering mankind”, we are committed to leading the new energy era.

OUR STRENGTHS

We are a leading EV battery company

Our achievements in quality, technology and R&D laid the foundation for our leading product capability.

According to Frost & Sullivan, in terms of installed capacity:

- we, with a 5.7% market share in 2020, 5.9% market share in 2021 and 8.2% market share for the three months ended March 31, 2022, ranked fourth and third in 2020; and third and second in both 2021 and the three months ended March 31, 2022, among EV battery companies in China and among third-party EV battery companies in China^{Note 1 & Note 2}, respectively;
- we, with a 2.7% market share in 2020, 3.2% market share in 2021 and 4.5% market share for the three months ended March 31, 2022, ranked seventh, seventh and sixth globally among EV battery companies, respectively; and
- we were the only company with over 100% year-on-year growth rate from 2019 to 2021 among the top ten EV battery companies in China^{Note 3} in 2021.

We have established a scaled operation, which in turn, has helped us manage our exponential growth in an effective manner. As scaled operation is a key entry barrier for the EV battery industry, we believe our accomplishments as mentioned above guarantee our future sustainable development and further cement our position as a leading player and a core member of the EV battery industry.

According to Frost & Sullivan, the NEV market in China is projected to grow at a CAGR of 20.8% between 2022 and 2026. Meanwhile, EV battery is a core component of NEVs and China is the largest EV battery market with EV battery installed capacity in the world, projected to grow at a CAGR of 34.9% between 2022 and 2026 according to Frost & Sullivan. We believe that leveraging on our leading position and first-mover advantage in the EV battery industry and close collaboration with NEV manufacturers, we are well positioned to continue to grow rapidly and to benefit from the growth of EV battery market.

Note 1: Third-party EV battery companies indicate those companies who do not engage in vehicle manufacturing and the EV battery products are mainly sold to external customers instead of their own brand of vehicles.

Note 2: In terms of installed capacity in 2021: (i) the top-three EV battery companies are CATL (market share of 52.1%), BYD (market share of 16.2%) and us (market share of 5.9%), and (ii) CATL is the largest third-party EV battery company, and we are the second largest. In terms of installed capacity for the three months ended March 31, 2022: (i) the top-three EV battery companies are CATL (market share of 49.8%), BYD (market share of 20.3%) and us (market share of 8.2%), and (ii) CATL is the largest third-party EV battery company, and we are the second largest.

Note 3: Entities with installed capacities of less than 0.1 GWh for two years in a row are not applied for calculating year-on-year growth rate.

We continue to build an influential innovation center and lead industry development

We are committed to a product competitiveness-oriented approach, for NEVs and ESS products while abiding to the efficient use of resources and to support sustainable social development. We have products with industry leading energy density and safety features, including:

- the high-voltage ternary system, which features high energy density, long battery life and excellent safety, making it one of the best battery system solutions for passenger vehicles and realized mass capacity installation;
- the “magazine battery”, which is the first of its kind in the industry to prevent fire in the nail penetration test of the ternary battery system. Our “magazine battery” significantly improves the thermal safety level of the ternary battery system and realized satisfactory application;
- all tab laminated battery, which has excellent volumetric energy density and outstanding fast charging performance. It has been successfully installed by a number of key customers in their mainstream new platform models; and
- “One-stop Bettery^(Note 1)” battery with the newly developed minimalist structure, which has advantages in energy density, safety and economy, making it the focal point and also the first of its kind in the industry.

We are driven by continuous technological innovation. According to Frost & Sullivan, we are one of the few EV battery companies with comprehensive independent R&D capabilities and the ability to solely complete the production of EV batteries. For instance, the launch of our high-performance EV battery has showcased our comprehensive key technologies and production capabilities at multiple levels and dimensions, including production of chemical materials with high thermal stability, optimization of cell structural design, dredging treatment of energy flow in system integration, and precision manufacturing of detecting and avoiding defects. Our influential EV battery innovation center, which has developed products that have been adopted by industry players globally, encompasses six major parts, namely advanced materials, advanced batteries, advanced simulation and testing, intelligent manufacturing, battery recycling technology and digitalization.

Our innovative capability allowed us to develop a series of innovative core technologies, including (i) the “one-stop minimalist ultra-thin shell technology” which increases energy density by around 7%; and (ii) the “lean liquid” technology which reduces the amount of electrolyte injected on the basis of reducing electrolyte consumption and increasing energy density (coupled with thick electrode technology) by around 8%, and enabled us to develop and manufacture new EV batteries. Such achievement, in turn, lets us enjoy first-mover advantage in product application management and further elevate our battery technology reserve. We also have in-depth cooperation with industry-chain enterprises to achieve key technological breakthroughs across disciplines and domains. Our R&D results have been adopted by many major industry players, including Customer G.

Note 1: Bettery is a term for better battery.

We have a strong R&D team and have built a comprehensive and efficient R&D system. Technology innovation is key to the success of EV battery industry participants, while technology and expertise accumulation are valuable to product development. Luoyang Company was amongst the first to conduct EV battery research and product development in China. As of the Latest Practicable Date, we have benefited from the expertise accumulation and have established a R&D team with over 2,900 R&D personnel with multi-disciplinary and extensive industry experience. We have a long-term commitment to technology accumulation of basic material research, mechanism analysis, simulation, system design, manufacturing engineering, recycling, and digitalization, and hold the core patents of our core products. At the same time, we have a comprehensive and efficient R&D system to support the iterative upgrade of technology and the efficient development of products.

We are the Jiangsu Provincial Enterprise Technology Center awarded by Jiangsu Provincial Industry and Information Technology Department. Our research institute is the first independent R&D organization of leading enterprises in Jiangsu Province, and a testing and verification center certified by the China National Accreditation Service for Conformity Assessment (“CNAS”). We actively lead the progress of the industry and have successively undertaken projects:

- i) Three national key development projects, including high-safety and high-performance lithium-ion battery technology development and industrialization projects, which achieved 300Wh/kg high-safety and high-performance power battery applications; lithium/sulfur power battery design and engineering manufacturing project, which built a pilot demonstration project for industrialized and mass manufacturing of 100kWh soft-pack lithium-sulfur batteries; the design, manufacturing and demonstration project of high-energy-density solid-state battery cells/systems, which realized the installation and demonstration of solid-state lithium batteries.
- ii) Six national high-tech R&D programs (“863 Program”) projects, including high-energy plastic shell lithium-ion battery and module technology development projects, which developed 37V/50AH battery modules with an energy density of 135Wh/kg; the technology development projects of functional diaphragm for high-safety EV battery, which improved the safety performance of lithium-ion batteries; the technology development projects of large-capacity LFP EV batteries and power modules, which greatly improved battery cycle life and consistency in technologies such as nanocarbon fiber battery modification and anode material spheroidization.
- iii) A national intelligent manufacturing project, which completed the construction of an intelligent production line for high-performance automotive lithium batteries and power systems.
- iv) A national innovative engineering project, which completed the development and industrialization of 20Ah soft pack and 41Ah square ternary battery.

- v) Two key R&D programs in Jiangsu Province, including the development of ultra-low temperature and high specific power battery system and the design of high-reliability battery structure, which effectively improved the power performance and safety performance of the start-stop of EV batteries.
- vi) Four projects of Jiangsu natural science foundation, including the project of obtaining cathode materials for high-performance lithium-sulfur batteries which developed a high-performance lithium-sulfur battery; the project of application of finite element simulation technology in the development of lithium-ion power batteries, and the project of preparing lithium ion polymer electrolytes using in-situ method.

We contribute to the healthy development of the industry, actively participate in the formulation of national and industry-related standards, and preside over or join in the formulation of 6 national standards, 13 industry standards, and 14 group standards.

We have in-depth manufacture engineering foundations and industry leading scaled operational capabilities

Under the guidance of our “beyond commerce, bettering mankind” corporate spirit, we mastered efficient, digital and scaled operational capabilities and manufacture engineering capabilities. Such spirit and capabilities have enabled us to attain an industry leading operational scale, which in turn, gives us the ability to transform leading technology rapidly into publicly benefiting products consistently. This is our mission and it is also one of our core competitive strengths.

By understanding the profound logic of efficient operation, we have built an excellent operation management team and mastered the capability of scaled operation. This is based on the premise of customer-orientation and maximizing our overall value, creating an efficient, collaborative and flat liquid organization structure, and building a management model that integrates delivery planning and cost control, so as to ensure the efficient and smooth operation of key business processes and improve customer satisfaction. In the process of construction, iteration and scaled operation of products and production lines, we have cultivated a group of composite technicians who understand product quality and can organically integrate engineering technology and chemical systems, and forged a group of production teams with sufficient talent reserves.

In addition, we have extensive manufacture engineering technology capabilities. Our leading technical capabilities allowed us to apply ultra-high-speed cutting and stacking machine to mass production. We possess the closed-loop control intelligent coating system and internationally leading fully automated assembly lines, while having the ability to manage the whole production life cycle, featuring industry-leading automation, digitalization and intelligent-features. Through real-time control of the manufacturing process throughout the product life cycle, we ensure the smooth and efficient operation of the entire manufacturing process, combined with standardized processes to achieve rapid process upgrades and product iterations, so as to continuously and stably deliver products that meet customer needs. Therefore, we maintained high penetration rate to mainstream NEV models of our major customers. For example, in 2021, our penetration rate to Aion series of GAC Group was approximately 70.0%. In 2021, our penetration rate of Customer C was 34.0%. Our cooperative project with Customer X commenced mass production and delivery in October 2021, with an increase of the penetration rate from approximately 6.0% in October 2021 to approximately 48.9% in March 2022.

During the Track Record Period, we experienced rapid growth, attained an accumulated 19.43GWh sales volume of EV batteries. According to Frost & Sullivan, accumulated sales volume of over 10GWh of EV batteries is a key industry production benchmark. At the same time, we have received multiple awards from our major customers and have continuously increased our coverage of NEV models. For more details on our awards received by our major customers, please see “Awards and Honors – Awards” in this section. During the Track Record Period, the number of Customer G’s NEV models to which we supplied increased to seven models. For Customer C, the number of NEV models to which we supplied our products grew to five models. Leveraging our operational and manufacturing engineering capabilities, we were able to guarantee superior performance of our products in mass production, which has passed rigorous tests of the market and helped us achieve a good delivery record.

We have industry partners with strategic synergy and high mutual trust while driving industry development together

As a core member of the industry, adhering to the vision of “mutually beneficial”, we strongly believe that building and enhancing a healthy ecosystem for the industry is our mission. Our products are an indispensable part of NEVs and ESS. Leveraging on our technological innovation platform, we have built deep strategic partnership with major suppliers and customers. With them, we jointly developed material and equipment related technology and innovative products, which in turn, further promote the joint development of the industry.

Together with our supplier partners, we have reached a consensus on the future development direction of the industry, planned and jointly developed the technical direction of the materials. Such close relationships extend our technological innovation strength to the upstream of the industrial chain, while ensuring a stable supply of raw materials, so that our production capacity can meet customer demand in a timely manner. For more details on our relationship with our suppliers, please see “Supply Chain Management – Suppliers” in this section.

At the same time, we have formed a mutually trusted partnership with our customers. Backed by our strong R&D team, we grasp the needs of our customers from the source, cultivate our target markets, and work together to develop high-quality products that meet the needs of our customers. Our customers include a number of leading NEV companies, such as GAC Aion, Changan NEV and well-known companies such as Leapmotor. During the Track Record Period, our penetration rate to our major customers continued to increase and we successfully expanded our customer base to well-known emerging NEV brands. We can continue to meet the needs of different customers and establish a close and trusting relationship with them. For more details on our relationship with our customers, please see “Sales and Marketing – EV Battery Customers” in this section.

Based on the support of our suppliers and the trust of our customers, we have become a leading EV battery company, realizing the mission of continuing to lead the joint development of the industry.

We have a visionary management team with shared mission

Our management team views advancing energy innovation and making the world a better place as its mission. We attract employees with the same values. We believe the shared mission contributed to our employee stability and dedication, and when coupled with the excellent leadership of our management, our mission is carried out through dedication to customers, to products and to the industry.

We have visionary management team with excellent judgment on the trend of the EV battery industry and its technical development. With rich management experience, our management has structured a customer-oriented “sincerity, efficiency and win-win” corporate value. Under our corporate value, strategic choices and focus have been implemented in order to achieve the effective allocation of resources and to form our management system. Our chairwoman, Ms. Liu Jingyu, with international company management experience, has a clear and precise vision on market trends and has integrated resources to adjust our Company’s development strategy in a timely manner and ultimately established our leading position in EV battery industry. Under our management’s outstanding leadership, we have attained profound success, established a strong development foundation that will benefit us in the years to come.

Our Strategies

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

All around technology advancement strategy

The EV battery industry is rapidly evolving. As a leader in the industry, we seek to be at the forefront of the technology advancement through implementing an all around technology advancement strategy.

The iterative update features of EV batteries has transformed from focusing on chemical system iteration previously to a stage of structural innovation, chemical system upgrade, manufacturing technology and smart management. We are committed to continuously increasing R&D investment and maintaining a leading position in advanced chemical energy storage materials, high-performance batteries, smart manufacturing, new-type batteries and battery life-cycle management technologies, so as to ensure the competitive advantages of our products in various application fields.

- In the field of chemical energy storage materials, we will continue to focus on the balance between high energy density and resource utilization efficiency, accelerate the industrial application of new material technology and increase R&D investment in next-generation materials;
- In terms of high-performance battery and system technology, we seek to build a comprehensive leadership advantage in the fields of high specific energy, long life, high degree of safety, high power and all-climate technology;
- In the field of smart manufacturing technology, we seek to achieve high-efficiency manufacturing technology upgrades through battery structure innovation and high-integration manufacturing process innovation, and at the same time realizing high-reliability and large-scale delivery capabilities that are fully ahead of competitors in the same industry through smart technologies for high quality and high efficiency production;
- In the field of new batteries, we will continue to increase the R&D investment in solid-state lithium batteries and lithium-sulfur batteries, so as to build a leading edge in next-generation battery technology;
- In terms of battery life-cycle management, with the goal of maximizing the value of battery life cycle, we will continue to invest in the development of smart battery management technology, so as to realize a safe, reliable and long-life operation of battery. Meanwhile, to achieve a sustainable social value, we will actively explore various high efficiency echelon utilization and recycling technology, promote the closed loop of battery resource recycling, build a green and environmentally friendly battery industry ecosystem.

In addition, we intend to iterate in our product development more quickly based on technological innovation. We intend to expand our product supply, continue to enrich our product portfolio, enhance the depth of technical cooperation between us and strategic customers, so as to achieve rapid transformation from leading in technology to leading in products. With our continuous investment in R&D, we will continue to strive to be at the forefront of EV battery technology development and product innovation. In order to achieve our strategy of comprehensive technology leadership, approximately 10% of the proceeds will be used for research and development in various technological areas in order to maintain its edge in EV battery production, of which, approximately 5.6% of proceeds will be used for the development of core technologies for advanced materials, advanced batteries and battery lifespan management and approximately 4.4% of the proceeds will be used for experiments, pilot capacity building and advanced manufacturing technology development. For more details of the proceeds, please see “Future Plans and Use of Proceeds”.

Scaling-up strategy

As a core member of the EV battery industry, we proudly shoulder the responsibility to lead and to advance energy evolution. We have an influential innovation platform that pillars the iteration of our technology and products. Based on our operational capability, manufacturing capability and technical strength, we plan to launch new or scale up existing projects to further increase our production capacity, so as to ensure that we continue to bring quality products to the market, which we believe, is an important part of achieving energy innovation. Part of our proceeds from the Global Offering will be applied to the construction of new production facilities, while we intend to meet the capital demands for expanding our existing facilities through internal resource or other financial means. We build production base in various locations, including Changzhou, Xiamen, Chengdu, Wuhan, Hefei, Jiangmen and Meishan. We expect to materially expand our production capacity through such projects. At the same time, we will continue to seek suitable locations and partners for timely addition of new production bases and seek opportunities to expand overseas. We are actively developing our customer base overseas. During the Track Record Period, our overseas customers were mainly located in overseas countries or regions, including the United States, India, France, Germany and the Netherlands^{Note}. For example, we plan to start delivering for the models of two international auto manufacturers in the third quarter of 2022. Also, we have received several UN and IEC international certifications for overseas markets, and we believe such certifications shall be instrumental in supporting our overseas expansion.

The following are the expansion plans for our production facilities.

Production facility expansion plan

We expect that the total market demand for EV battery and ESS products will continue to grow rapidly.

Market Opportunities For Our Battery Solutions

According to Frost & Sullivan, global new energy passenger vehicle sales volume is expected to grow at a CAGR of 24.3%, and the global new energy passenger vehicle penetration rate is expected to reach 30.1% in 2026. Benefiting from the growth of the global NEV market, the EV battery market achieved steady growth, with installed capacity increasing from 64.3GWh in 2017 to 293.7GWh in 2021, representing a CAGR of 46.2%. During the forecast period, as the global NEV market continues to grow, the global installed capacity of EV battery is expected to grow at a CAGR of 33.8% between 2022 to 2026, and reach 1,386.7GWh in 2026.

Note: Our overseas customers are not overseas branches set up by PRC companies.

According to Frost & Sullivan, the State Council issued the ‘Action Plan for Carbon Dioxide Peaking Before 2030’ in 2021, which plans to reach 40% of clean energy transportation by 2030, bringing immense room for growth to the NEV market and directly promoting the development of the EV battery industry. The explosive growth potential in the NEV market will continue to drive the demand for EV batteries.

According to Frost & Sullivan, with the rapid growth of the penetration rate of NEVs, the healthy development of the industrial chain and the effective control of the pandemic, the EV battery market in China will continue to grow. It is estimated that the installed capacity of EV batteries will reach 762.0GWh by 2026, representing a CAGR of 34.9% from 2022 to 2026. Meanwhile, according to Frost & Sullivan, in the context of national energy transition and global carbon neutrality strategy, energy storage battery plays an important part in the power system reform and the construction of new energy power. It is estimated that the global newly installed capacity will reach 250.1GWh by 2026. Meanwhile, China being the largest market is expected to house 110.7GWh of the installed capacity.

NEV manufacturers have a long product life cycle, they have stringent requirements for EV batteries, and their new vehicle models will require even higher standard of technologies. We, as a leading enterprise in the EV battery industry, have excellent R&D capabilities to meet the technical needs for new models, and thus have advantages in developing new customers and benefiting from market development. Leveraging the competitive features of our products, we believe that the demand for our products will increase significantly.

Benefits Of Our Expansion Plan

Our rapid growth in production and sales during the Track Record Period not only demonstrates our ability to expand business, but also testify our capacity to manage a fast-growing leading new energy company. Our production capacity expanded from 2.97GWh in 2019 to 11.90GWh in 2021, representing a CAGR of 100.7%. During the period, our utilization rate continued to remain close to full capacity. During the Track Record Period, the number of new customers in the passenger vehicle segment increased from three in 2019 to 18 in 2021.

We stay abreast to the development and changes in market demand. We need to meet the needs of new customers and new models on the basis of increasing the installed capacity supplied to our existing customers. Our production capacity needs to be increased urgently. We have expanded our existing production base and/or constructed new production bases at various sites, including Changzhou, Xiamen, Chengdu, Wuhan, Hefei, Jiangmen and Meishan. We believe that our expansion plans will benefit our business in terms of: (i) meeting the demand from our customers and expanding our market share; and (ii) providing us with the opportunity to contribute more effectively to the achievement of carbon peak and carbon neutrality. Please see “Future Plans and Use of Proceeds” in this prospectus for further details related to construction/expansion of our production bases.

Factors And Measures To Satisfy Market Demand

We believe that only EV battery manufacturers with leading product competitiveness and mass production and delivery capabilities can meet the strong demand in the EV battery market.

In terms of product competitiveness, our continuous investment in research and development has established our leading product competitiveness. During the Track Record Period, our EV batteries have been adopted by a number of well-established manufacturers in the NEV industry. Our high-voltage ternary battery and “One-stop Bettery” battery with the newly developed minimalist structure, which has advantages in energy density and safety and are economical, making it the focal point of the industry. As NEVs have a long product life cycle, NEVs manufacturers have stringent requirements on EV batteries and higher technology standards for their new NEV models. We have conducted a variety of forward-looking research and development on the mass production product development project to meet the demands of NEVs manufacturers. In addition, we are currently developing a new series of high voltage batteries and other products, for which we have reached specific development cooperation with various customers in respect of their new NEV models.

For example, we entered into designated development agreements with Customer G to jointly develop relevant products. As the designated partner of the project under the relevant agreements, we are responsible for the design, development, quality control, after-sales, debugging, production and delivery of the EV batteries technology and relevant products (including battery cells, battery modules and battery packs) for its specific vehicle models within the predetermined time. Meanwhile, Customer G provided us with product plans, technical support and product certification during the joint development process. In addition, we provided stable and timely supply for Customer G. In turn, Customer G ensured us the priority to supply with its new models. We have completed the development and delivery of the above products during the Track Record Period.

On the other hand, our track record in product delivery is a foundation to support our rapid growth in the future. We have the ability to quickly expand. We are currently constructing new production sites and expanding existing production sites at the same time, so as to improve our production capacities. We are able to quickly replicate the experience and production mode we have in our production sites such that new production sites, after completion, can timely commence scaled mass production. In addition, the production capacities that can be released subsequently will experience a geometric growth as compared to our existing production capacities, which will enable us to meet the demands from our existing and new customers efficiently and in large scale. Therefore, our ability to rapidly expand production and mass production is a key pillar to our future market expansion and meeting customer needs.

Feasibility study and critical criteria

In terms of construction/expanding production facility, we have adopted a comprehensive decision-making system and procedure to ensure that we can implement the construction/expansion plan successfully. Prior to the engagement of a qualified third party to issue a feasibility study report on our construction/expanding plan, we have the relevant departments conduct preliminary studies on the construction/expanding plans, so as to meet the strategic development and business needs of our Company.

We will organize the relevant departments to take charge of obtaining, researching and reporting of national, local and industrial policy information. In addition, the relevant departments are also responsible for planning, organizing and implementing the production line construction and renovation projects.

The relevant departments are also responsible for coordinating various resources to identify and to eliminate risks to ensure a safe and managed construction process, so as to achieve our goals and deliver production lines with high speed, high safety level, high space utilization and low energy consumption. We will proceed to select and engage a qualified third party to issue a feasibility study report on the expansion plan only if the internal study has a satisfactory conclusion.

The feasibility study generally includes the key criteria we consider for our investment plan:

- Market demand and product outline
- Technology and equipment
- Material supply
- Construction site and natural conditions
- Project design proposal
- Organization, labor quota and personnel training
- Project implementation schedule
- Investment estimation and financing
- Economic analysis
- Risk analysis and preventive measures

- Environmental protection, occupational safety and health, fire protection, energy conservation
- Analysis of economic and social benefits

According to the feasibility study report on our new construction/expansion plan issued by the qualified third party we engaged, the projects we plan to expand is in a state-supported industry in line with national development policies, and can promote economic growth and increase the government's tax revenue. The product types are well selected and the engineering design scheme is reasonable, which effectively guarantees the product quality, and has good economic and social benefits according to the estimated project.

As at the Latest Practicable Date, we have not entered into any formal agreement with regard to construction of overseas production bases. In order to achieve our scaling-up strategy, approximately 80% of the proceeds of the Global Offering will be used for construction/expansion of our production bases, including our Chengdu Project Phase I, Hefei Project Phase I and Phase II, Guangdong Jiangmen Project Phase I, and Sichuan Meishan Project, to increase production capacity. For more details of the proceeds, please see "Future Plans and Use of Proceeds".

Promoting a sustainable industry development

As a leading EV battery enterprise, we are well-positioned to lead our upstream and downstream partners in promoting the development of a sustainable EV battery ecosystem. With our upstream partners, we will continue to launch cooperation programs and jointly develop materials that are more environmentally friendly and energy-efficient. For example, we have entered into several joint development agreements with various suppliers to develop raw materials including cathode material of the high-voltage ternary battery and densely compacted LFP. We entered into a materials project investment agreement with Sichuan Pengshan Economic Development District on December 29, 2021 with a planned total investment of approximately RMB1.8 billion. The project focuses on the development and production of cathode materials for lithium batteries aiming to achieve target production of 100,000 tons of cathode materials, whereby we lead the implementation of the project and Sichuan Pengshan Economic Development District has agreed to support and provide subsidy to our development, including but not limited to satisfy our production and operational needs. We believe the investment further strengthens the stability of our raw material supply, which is essential to our rapid growth. Through the project, we will also more closely collaborate with our upstream partners, which is in line with our development strategy of promoting a sustainable EV battery ecosystem.

On the downstream end, we will continue to partner with our customers to introduce technically advanced products that contribute to the energy evolution. We believe such efforts contribute to the better resource allocation and establishment of a sustainable industry ecosystem. For example, we cooperate closely with Customer C on a variety of new models based on a brand new NEV brand. Also, we are accelerating our joint development with Customer X in various new models.

In order to fully capture the latest opportunities in the new energy industry and enhance our leading position in the EV battery sector, we plan to establish various strategic partnerships with major participants in the upstream and downstream of the industry chain, including equity investments, collaboration at the product development level and joint technological innovation, which shall benefit us and our partners and achieve a win-win situation. The projects below are representative examples that illustrate our deepening relationship with upstream and downstream major partners.

- **Investment in and cooperation with upstream companies**

Tianqi Lithium Corporation

As of the Latest Practicable Date, we participated in the cornerstone placing of H shares of Tianqi Lithium Corporation (“**Tianqi Lithium**”) at a consideration of approximately US\$49.50 million. Established in 1995 and headquartered in Sichuan Province, China, Tianqi Lithium is principally engaged in the production, processing and sales of lithium concentrate and lithium chemical products. It is a leading lithium producer in China and globally, and the only lithium producer in China that has achieved 100% self-sufficiency and fully vertically integrated lithium mines through a large, consistent and stable supply of lithium concentrates. It has been listed on the Shenzhen Stock Exchange (stock code: 002466) and the Main Board of the Stock Exchange (stock code: 9696), respectively.

In addition, we entered into a strategic partnership agreement (“**Strategic Partnership Agreement**”) and a lithium carbonate supply framework agreement (“**Lithium Carbonate Supply Framework Agreement**”) with Tianqi Lithium in May 2022, respectively. Under the Strategic Partnership Agreement, we will cooperate in various fields including joint investment and cooperative research and development in areas such as battery cells and battery materials, new materials, lithium salt and lithium mining. With our respective advantages in resource integration, technical support and business synergy, both parties will create higher commercial value. Under the Lithium Carbonate Supply Framework Agreement, Tianqi Lithium is one of our suppliers and mainly supplies battery-grade lithium carbonate to us. Such framework agreement and collaboration allows us to build closer relationship with our upstream partners provide us market insight into next-generation battery technologies. We have already started placing purchase orders with Tianqi Lithium on a monthly basis since June 2022.

Supplier D

As of the Latest Practicable Date, we held 0.5% equity interest in Supplier D through participation in the private placement of A shares of Supplier D in March 2022. Established in 2004 and headquartered in Hunan Province, Supplier D is mainly engaged in the business of manufacturing lithium battery anode materials and magnetoelectric equipment. It has been listed on the Shenzhen Stock Exchange ChiNext since December 2009. With our investment, we supported Supplier D's upgrading of two production projects including "production base project with an annual production capacity of 50,000 tons of lithium battery anode materials" and "construction project with an annual production capacity of 30,000 tons of lithium battery anode materials and annual processing capacity of 45,000 tons of graphitization". Such investment allows us to build closer strategic collaboration with Supplier D.

Supplier A

As of the Latest Practicable Date, we entered into the High-Voltage Ternary Cathode Material Technology Development Agreement in March 2021 with a subsidiary of Supplier A. Such subsidiary is committed to developing and manufacturing cathode materials for lithium-ion batteries, mainly producing lithium cobalt oxide and nickel-cobalt-manganese based ternary materials. We jointly develop high-voltage NCM. During the process of our technology development cooperation, we mainly conduct plan development and results testing of the relevant products under development and Supplier A carry out method design for relevant products according to our plan. Through such technical cooperation in the upstream field of new energy, we have strengthened our close cooperation with upstream partner and become partner in sustainable development.

- **Cooperation with downstream companies**

Customer X

Customer X is one of our customers, and we entered into a component procurement agreement with Customer X in September 2020 for a term commencing from September 2020 to December 2023. Under the agreement, we mainly provide components and raw materials for its development, manufacturing and sales of the relevant vehicle models. Customer X is a dual-listed company on the Stock Exchange and the New York Stock Exchange, which specializes in the design, manufacturing and sales of NEVs. Through this procurement cooperation in the downstream area of new energy, we believe that our cooperation relationship with Customer X and its designated suppliers will have a positive impact on our financial performance, reputation and brand image.

Customer G

Customer G is one of our customers, and we entered into strategic purchase agreements with Customer G in 2019, 2020 and 2021, respectively. Under the agreements, we mainly provided the design, development, production and delivery of the EV batteries technology and relevant products for its designated vehicle models. Customer G is a dual-listed company on the Stock Exchange and the Shanghai Stock Exchange, which specializes in the manufacturing and sales of passenger vehicles and commercial vehicles. As of the Latest Practicable Date, we have completed the projects under the agreements. Through this strategic procurement cooperation, we have established an extensive and in-depth cooperation platform in terms of technology exchange, product marketing and quality cultivation, and jointly built industry-leading technologies and quality standards. In addition, we have also entered into a new product development technology agreement with Customer G, and we have cooperated on the design, development and production of battery technology-related products to achieve mutual technological enhancement.

We believe that by cooperating with core enterprises in both upstream and downstream of the value chain, we will further strengthen our connection with each part of the battery industry value chain and strengthen our position as a leading EV battery company. We will also make strategic investments to deploy emerging technologies in the new energy industry.

We believe that promoting a sustainable industry development strategy is an integrated and comprehensive strategy based on our production capacity and R&D abilities. The investment in production bases and R&D will ultimately empower us to create a more beneficial cooperation with upstream and downstream partners in the industry, and promote sustainable development of the industry.

BUSINESS MODEL AND PRODUCTS

Overview

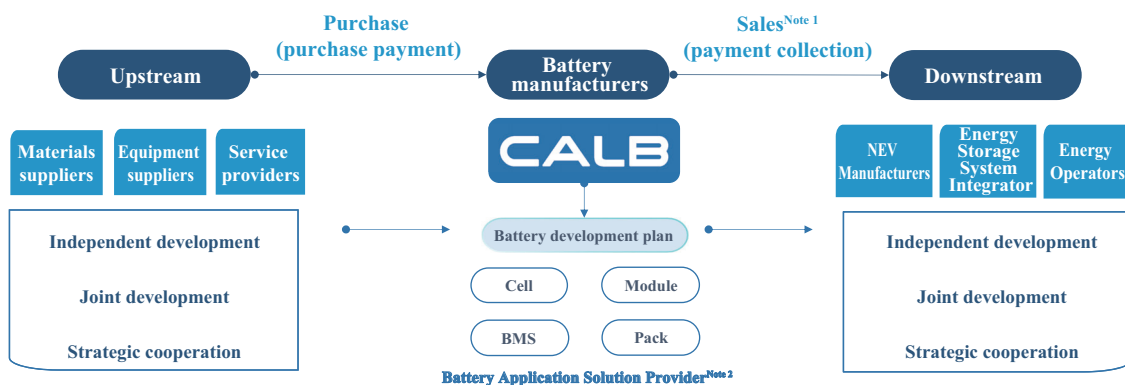
We are a leading new energy technology company in the EV battery industry. We are committed to providing high quality products and comprehensive solutions to customers. We boast profound R&D capabilities, advanced manufacturing technology, rigorous quality control measures and efficient operations. According to Frost & Sullivan, in terms of installed capacity, we were the only company with over 100% year-on-year growth rate from 2019 to 2021 among the top ten EV battery companies in China according to Frost & Sullivan.^{Note}

Note: Entities with installed capacities of less than 0.1 GWh for two years in a row are not applied for calculating year-on-year growth rate.

Our Business Model

We are mainly engaged in the design, R&D, production and sales of EV batteries and ESS products. Through the continuous innovation of technology, we have built a high degree of mutual trust, synergy and win-win relationship with partners in the upstream and downstream of the industry chain, leading the progress and development of the industry.

Please see below for our business model flowchart.



Note 1: Revenue streams of our business are mainly composed of (i) sales of our EV batteries, and (ii) sales of our ESS products.

Note 2: Our products mainly include:

- (i) EV batteries: We design, carry out R&D, manufacture and sell battery cells, battery modules, and battery packs of EV batteries that are mainly applied to NEVs.
- (ii) ESS products: we also design, carry out R&D, manufacture and sell ESS products, which can be applied to power generation stations, power grid enterprises, data centers and base stations.

EV Batteries

We design, R&D, manufacture and sell battery cells, battery modules, and battery packs with ternary and lithium iron phosphate systems that are mainly applied to NEVs. Our products are applied to new energy passenger vehicle and commercial vehicle and are an indispensable component of NEVs. Our products have a direct impact on key NEV performance indicators, such as mileage, vehicle life and safety. We have strong technological capabilities in EV battery and ESS products design and engineering, covering the entire development process from product concept to completion.

We established a full life cycle and high-standard quality management system from product concept to mass production, as well as a mature and complete technical standard system to ensure product quality and balance cost and time efficiency. We implement a strict verification process to ensure that our EV batteries meet the designed specifications. Before launching a new product, we conduct verification process at each of its key manufacturing stage including at battery cell level, battery module level and battery pack level. We have research and testing sites that allow our research engineers to design, analyze and validate our design for EV batteries at all levels. Leveraging our strong design and engineering capabilities, we have designed and launched a variety of EV batteries, highlights of which include the following:

(i) **The High-Voltage Ternary System** features:

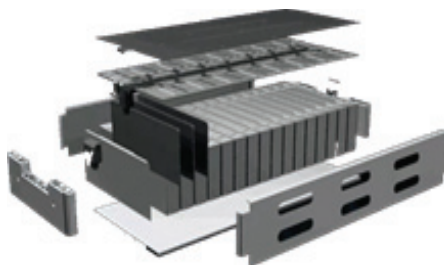


- a. High energy density, long battery life and excellent safety, making it one of the best battery system solutions for passenger vehicles.
- b. Our ternary battery pack products passed the nail penetration and heat diffusion test^{Note} by China Automotive Technology and Research Center Co., Ltd. (“CATRC”), a science research institute established to meet China’s need of managing automotive industry. Only a few EV battery suppliers can pass the nail penetration and heat diffusion test, which further demonstrates the superior safety of our EV batteries. Passing of both tests are crucial and representative in ascertaining and showcasing our battery products’ high level of safety standards and performance.
- c. In 2020, we took the lead in using high-voltage material technology for mass production of 5-series high voltage battery in the world, which is installed on Aion-LX model designed by our major customer, Customer G.

Note: Nail penetration test indicates an EV battery thermal propagation test which requires that the EV battery pack should not explode or catch fire due to thermal runaway when it is entirely penetrated by a steel nail under required conditions. The heat diffusion test simulates the scenario of thermal runaway through heating or nail penetration. Such test aims at evaluating the thermal safety capability and effectiveness of battery system.

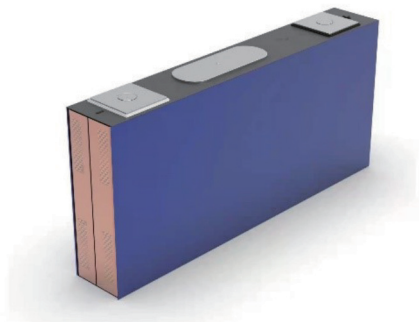
- d. The Aion-LX model installed with our 5-series high voltage battery was one of the first domestic SUV electric vehicle model with a driving range of more than 600km.
- e. We developed a 100kWh battery system product with energy density of 225Wh/kg which was the first in the industry.

(ii) The “**magazine battery**” launched by us is:

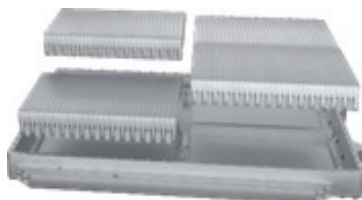


- a. the first of its kind in the industry to pass the fire-proof test, which significantly improves the thermal safety level of the ternary battery system.
- b. Our magazine battery adopts intelligent security technology that integrates software and hardware and has ultra-high heat resistant capabilities. We apply the nano-scale coating and doping technology of the cathode materials, which can effectively improve the thermal stability and prevent thermal runaway, and a super heat-insulated battery safety compartment, which means that even if the battery cell ignites, the safety compartment will control the thermal runaway locally. The upper shell of the battery pack can withstand a temperature of more than 1400°C, thereby effectively protecting the entire battery pack.

- (iii) **All tab laminated battery** has excellent volumetric energy density and outstanding fast charging performance. It has been successfully adopted by a number of our major customers' mainstream NEV models.



- (iv) **One-stop Battery**^(Note 1) battery with the newly developed minimalist structure, which has advantages in energy density, safety and economy, making it the focal point of the industry.



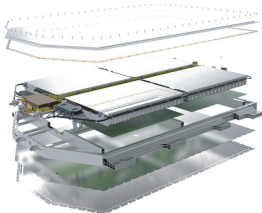


- a. One-stop Battery battery adopts a super thin shell of only 0.25mm with no traditional shell cap and integrates by multi-functional composite packaging technology. Such product improves the space utilization rate of the battery by 5% and decrease the structural component weight by 40% compared to that of a traditional battery structure.
- b. One-stop Battery battery can be applied to both LFP and ternary batteries where LFP batteries equipped with one-stop technology will support the vehicle's driving range of up to 600km and help it obtain a lower cost and enhance its competitiveness.

Note 1: Battery is a term for better battery.

BUSINESS

According to the difference in cathode materials, our EV batteries comprise ternary battery and LFP battery, where ternary battery refers to a battery whose cathode consists of nickel, cobalt, manganese while LFP battery uses lithium iron phosphate as cathode materials. Generally, ternary batteries have higher energy density, higher charging efficiency and better low temperature adaptability, but have very high technical requirements for the guarantee of battery safety, while LFP batteries have longer cycle life and lower material cost. From a structural point of view, both ternary batteries and LFP batteries can be shipped and sold in the form of a battery cell, battery module and battery pack, where a battery cell is the most important competent to power NEVs and provide energy sources, a module consists of battery cells in series and parallel and a battery pack is made up of battery modules. The average life cycle^{Note} of our LFP products and ternary battery products is 4000 times and 2500 times respectively. The table below sets forth a general description and representative picture of our major products:

	Type	LFP	Ternary NCM
  	Cell	<ul style="list-style-type: none"> • Capacity 100Ah~230Ah • Energy Density 170Wh/kg~190Wh/kg • Life Cycle^{Note} 4000 times+ 	<ul style="list-style-type: none"> • Capacity 50Ah~218Ah • Energy Density 230Wh/kg~280Wh/kg • Life Cycle^{Note} 2500 times+
	Module	<ul style="list-style-type: none"> • Battery module efficiency: 92%-94% • Safety: thermal runaway suppression and fire-proof 	<ul style="list-style-type: none"> • Battery module efficiency: 92%-94% • Safety: thermal runaway suppression and fire-proof
	Pack	<ul style="list-style-type: none"> • Electricity 10kWh~80kWh • Energy Density 140Wh/kg-150Wh/kg • Battery pack efficiency: 77%-80% • Safety: thermal runaway suppression and fire-proof 	<ul style="list-style-type: none"> • Electricity 30kWh~100kWh • Energy Density 170Wh/kg~225Wh/kg • Battery pack efficiency: 77%-80% • Safety: thermal runaway suppression and fire-proof

Note: Cycle life (or life cycle) refers to the number of times (or cycles) that the EV battery can undergo the process of complete charging and discharging until the end of its life, and the end life of a EV battery generally indicates that the available capacity of the battery has decay to 80% of its designed capacity.

ESS

In addition to EV batteries for NEVs, we also design, R&D, manufacture and sell ESS products for ESS. During the Track Record Period, our ESS products featuring “high safety, long life, high efficiency and high integration” were integrated to a variety of ESS.

Our ESS products are primarily sold to established industry players that include listed and/or state-owned (i) new energy operators, including wind power and photovoltaic providers, (ii) power grid operators and (iii) ESS device manufacturers, who generally purchase and integrate our products into their power stations/ESS devices. In terms of application, our products have been applied/installed to power generation stations, power grid enterprises, data centers and base stations according to the differentiated needs of ESS downstream participants.

The core components of our ESS products and our EV battery products are battery cells, which are made of and share similar technical features, include cathodes, anodes, casing over board and electrolyte. Our effort in terms of research and development for EV batteries can often be shared and applied to the research and development our ESS products. Different from EV batteries research and development, our research and development on ESS products often emphasize the long-life expectancy of such products. Accordingly, we invested in the research of raw materials that can better help us achieve such purpose. Also, as ESS products may be applied to more diverse climate conditions when compare to EV battery products, we research and develop on the adaption of prescribed conditions for relevant ESS products.


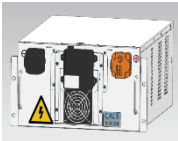

We supply our ESS products to established industry players, with whom we have built and continue to seek long-term relationship. While we generally do not enter into long-term sales agreements with our customers, at times when we believe it is commercially sensible, we would enter into a framework agreement for a period of one to three years with an ESS customer. Such agreement would include what each party could contribute to the collaboration and include indicative demand/supply of relevant products, but the sales of our ESS products to such customers are agreed to in separate agreements. As the ESS projects are of longer-term in nature, when required and on an as needed basis, we would provide services to maintain the products that we supplied. As of the Latest Practicable Date, our backlog for ESS products amounts to approximately RMB422.0 million.

According to Frost & Sullivan, an energy storage battery is the most valuable part of an ESS. Our ESS products include LFP battery modules, battery boxes and battery containers, which can be integrated to form a functional ESS for customers on the power generation side, the grid side and the user side. According to the Frost & Sullivan, we provided energy storage batteries for one of then largest lithium-ion battery ESS projects in the world in August 2020. We have also provided photovoltaic + energy storage solutions and technical support for multiple energy storage projects.

BUSINESS

We provide customers with a variety of ESS products covering various application areas such as the power generation, power grid and user, with “high safety, long life, high efficiency and high integration” as its core product competitiveness.

Below is a general description and representative picture of our major products:

Product Category		
	Battery cell	<ul style="list-style-type: none"> Capacity 163Ah~280Ah Dimension 36~72×173×207~220 Life Cycle^{Note} 4,000~9,000 times
	Battery module	<ul style="list-style-type: none"> Energy 11.2kWh~18.78kWh Dimension 580~756×471~652×230~245 Life Cycle^{Note} 3,500~8,000 times
	Containerized ESS	<ul style="list-style-type: none"> Energy 2.5MWh~3.5MWh Dimension 12192×2438×2896 Life Cycle^{Note} 8,000 times

In addition to EV batteries and ESS products, we also sell waste materials, degraded products, raw materials, slow-moving products, etc.

- Waste materials mainly refers to leftovers generated during our production process.
- Degraded products mainly refer to products that have slight defects in appearance and whose performance does not meet the normal needs of our customers during the production process.
- Slow-moving products mainly refer to some of our products that have been slower to sell due to changes in market demand.
- Raw materials mainly refer to the raw materials required in the production process of lithium batteries.

Note: Cycle life (or life cycle) refers to the number of times (or cycles) that the EV battery can undergo the process of complete charging and discharging until the end of its life, and the end life of a EV battery generally indicates that the available capacity of the battery has decay to 80% of its designed capacity.

BUSINESS

During the Track Record Period, the vast majority of our customers for other products were from China. Such customers are mainly enterprises engaged in renewable resource processing, R&D of new energy technologies, and metal and non-metal waste materials and scrap processing.

The following table sets forth a breakdown of our revenue by products for the years/periods indicated:

	Years Ended December 31,						Three Months Ended March 31,			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
EV battery	1,409,888	81.3	2,499,300	88.5	6,065,200	89.0	960,957	90.4	3,691,182	94.7
ESS	181,166	10.5	238,181	8.4	446,080	6.5	74,634	7.0	100,129	2.6
Others	142,778	8.2	87,938	3.1	305,835	4.5	27,601	2.6	105,779	2.7
Total	1,733,832	100	2,825,419	100	6,817,115	100	1,063,192	100	3,897,090	100

Note: Others mainly include sales of scrap materials, downgraded products, raw materials, slow-moving goods and battery materials, etc.

Please see “Financial Information – Principal Components of Consolidated Statements of Profit or Loss – Sales Volume and Average Selling Price of Our Products” for further details of our sales volume and average selling prices during the Track Record Period.

Revenue by Battery Type

The following table sets forth a breakdown of our revenue by battery type, each expressed in the absolute amount and as a percentage of our total revenue, for the years/periods indicated.

	Years Ended December 31,						Three Months Ended March 31,			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Ternary battery	1,306,382	75.3	2,318,092	82.0	5,548,050	81.4	877,817	82.6	2,930,190	75.2
LFP battery	302,117	17.4	448,024	15.9	1,060,645	15.6	167,667	15.8	873,626	22.4
Others	125,333	7.3	59,303	2.1	208,420	3.0	17,708	1.6	93,274	2.4
	<u>1,733,832</u>	<u>100</u>	<u>2,825,419</u>	<u>100</u>	<u>6,817,115</u>	<u>100</u>	<u>1,063,192</u>	<u>100</u>	<u>3,897,090</u>	<u>100</u>

BUSINESS

Gross Profit and Gross Profit Margin by Battery Type

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

	Years Ended December 31,						Three Months Ended March 31,			
	2019		2020		2021		2021		2022	
	Gross		Gross		Gross		Gross		Gross	
	Gross profit	margin	Gross profit	margin	Gross profit	margin	Gross profit	margin	Gross profit	margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Ternary battery	16,758	1.3	299,015	12.9	302,668	5.5	125,726	14.3	319,705	10.9
LFP battery	64,921	21.5	78,147	17.4	55,369	5.2	12,735	7.6	(9,880)	(1.1)
Others	1,579	1.3	7,512	12.7	20,241	9.7	2,124	12.0	11,104	11.9
	<u>83,258</u>	<u>4.8</u>	<u>384,674</u>	<u>13.6</u>	<u>378,278</u>	<u>5.5</u>	<u>140,585</u>	<u>13.2</u>	<u>320,929</u>	<u>8.2</u>

For the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, our gross profit from the sales of LFP batteries was RMB64.9 million, RMB78.1 million, RMB55.4 million, RMB12.7 million and RMB(9.9) million, respectively. During the same period, our gross profit margin from the sales of LFP batteries were 21.5%, 17.4%, 5.2%, 7.6% and (1.1)%, respectively. The change in our gross profit margin from the sales of LFP batteries was primarily because (i) the raw materials prices continued to rise in 2021 and the three months ended March 31, 2022; and (ii) for the three months ended March 31, 2022, our average purchase price of cathode materials increased by approximately 104% as compared with the same period of last year and the average purchase price of electrolyte increased by approximately 60% as compared with the same period of last year, resulting in our gross loss and gross loss margin.

Particularly, our gross profit increased by 361.8% from RMB83.3 million for the year ended December 31, 2019 to RMB384.7 million for the year ended December 31, 2020, and the overall gross profit margin increased from 4.8% for the year ended December 31, 2019 to 13.6% for the same period in 2020. For more details on our gross margin and gross profit margin fluctuations, please see “Financial Information – Comparison of results of operation – Year Ended December 31, 2019 Compared to Year Ended December 31, 2020”.

BUSINESS

Sales Volume and Average Selling Price of Our Products

The table below sets forth our sales volume and average selling price of our main product during the Track Record Period.

	Years Ended December 31,						Three Months Ended March 31,			
	2019		2020		2021		2021		2022	
	Average		Average		Average		Average		Average	
Sales	selling	Sales	selling	Sales	selling	Sales	selling	Sales	selling	
volume	price	volume	price	volume	price	volume	price	volume	price	
(GWh)	(RMB/Wh)	(GWh)	(RMB/Wh)	(GWh)	(RMB/Wh)	(GWh)	(RMB/Wh)	(GWh)	(RMB/Wh)	
EV battery	1.62	0.87	3.93	0.64	9.31	0.65	1.45	0.66	4.57	0.81
ESS	0.20	0.90	0.33	0.73	0.67	0.67	0.09	0.79	0.15	0.68

Note: In addition, we recorded the revenue from others arising from sales volume of other batteries of 0.06GWh, 0.17GWh, 0.48GWh, 0.06GWh, and 0.08GWh for the year ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, respectively. Such sales volume was mainly due to the sales of downgraded products.

During the Track Record Period, our average selling price of EV batteries has decreased from 0.87 RMB/Wh for the year ended December 31, 2019 to 0.64 RMB/Wh for the year ended December 31, 2020, the fluctuations in our average selling price of EV batteries were mainly due to (i) the fluctuations in the selling price of such products in the industry as a whole; and (ii) as the subsidies for NEVs decreased, relevant NEV manufacturers downwardly adjusted the selling price of their products, and were more cost-sensitive, so as we made relevant adjustments in our selling prices of certain products per negotiation with our customers. In addition, such fluctuations in our average selling price of EV batteries were partially due to the decrease in our raw material costs as our cost-plus pricing policy takes into account the prices of our raw materials. For the three months ended March 31, 2022, the increase in the average selling price of EV batteries was mainly due to the price adjustment for some of products sold to our major customers in response to the increase in the price of raw materials of EV batteries. In the same period, our average selling price of ESS products has decreased from 0.90 RMB/Wh for the year ended December 31, 2019 to 0.73 RMB/Wh for the year ended December 31, 2020, the fluctuations in the average selling price of ESS products was mainly due to the higher portion of ESS products with fewer/cheaper technical specifications, which entailed a lower selling price, sold for the year ended December 31, 2020. Also, with technological advancement and reduction in cost, the selling prices of our products were adjusted accordingly. Our average selling price of ESS products has increased from 0.67 RMB/Wh for the year ended December 31, 2021 to 0.68 RMB/Wh for the three months ended March 31, 2022. Our Directors are of the view that the declining trend of our average selling price of the ESS products will not continue, this is mainly because as our product capability improves, our ESS products will iterate and upgrade accordingly and thus making our ESS products more competitive in the market.

BUSINESS

For the three months ended March 31, 2022, the unit selling price of EV battery for passenger vehicles was higher than that of EV battery for commercial vehicles and ESS products for the following reasons:

- (i) The product form delivered to customers for passenger vehicles EV batteries changed. During the year ended December 31, 2019, 2020 and 2021, EV battery for passenger vehicles were more delivered in the form of battery modules and EV battery for commercial vehicles and ESS products were delivered in the form of battery packs and battery modules. However, commencing in 2022 we delivered more EV battery for passenger vehicles in the form of battery packs. As the battery packs have a higher selling price due to their more value-added components than battery modules, the selling price of EV battery for passenger vehicles increased and was higher than that of EV battery for commercial vehicles and ESS products.
- (ii) The delivery period of EV battery for commercial vehicles and ESS products is relatively long. It is harder to adjust price after the project/contract starts. When we negotiate with customers to make the price adjustment due to the significant increase in raw materials prices, the passenger vehicle manufacturers often more timely accepts such price adjustment than the commercial vehicle manufacturers and the ESS products customers. Therefore, the selling price of EV battery for passenger vehicles was higher than that of EV battery for commercial vehicles and ESS products.

Our Directors believe that, on the one hand, with the acceleration of the development of raw material resources and following the open request made by the PRC government, the supply level of resources will improve continuously, the cost of upstream raw materials will gradually return to reasonable range, and we will continue to closely monitor the supply of raw materials. On the other hand, we formulated price adjustment measures and adjusted the prices of relevant products for downstream customers, so as to reduce the impact of periodic fluctuations in the prices of some raw materials on our costs. In addition, we further expanded our Group's production capacity and improved production processes and reduced costs through scaled production.

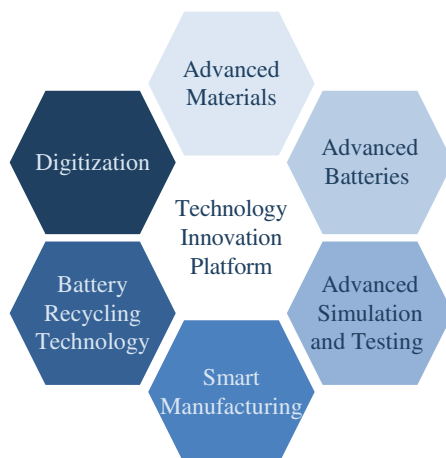
R&D

R&D Team

The EV battery industry is characterized by rapid 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. To this end, and as a fast-growing EV battery company, we rely on our R&D to establish and strengthen our market position.

Our innovative capabilities allow us to develop a series of innovative core technologies and enable us to develop, manufacture, and create next-generation EV batteries. Such achievement, in turn, lets us enjoy first-mover advantage in product application management and further elevates our battery technology reserve. During the Track Record Period, we provided our customers with technologically advanced products, which in turn enhanced the competitiveness of their products, and resulted in stronger demand for such products.

Our influential technology innovation platform encompasses the following six major parts:



Our six major parts of technology innovation platform consist of the following:

Advanced Batteries

We have a comprehensive R&D and innovative capability with regard to the integration of battery components, cells and battery system. Based on breakthroughs in new chemical systems and new structural technologies, we continue to lead the direction of advanced battery technology and product development.

Advanced Materials

We have the ability to develop new high-energy-density next-generation cathodes, anodes and electrolytes. We conduct R&D planning and implementation of various advanced materials and advanced material technologies, develop new processes for resource recycling, and support the sustainable development of the EV battery industry. These materials can increase battery capacity, increase energy density, and reduce production costs.

Advanced Simulation and Testing

We have physical and chemical/performance/reliability and safety testing capabilities, as well as material/electrochemical/thermal management/structural simulation capabilities. Our laboratory has obtained various accreditations and certificates, and is equipped with more than 300 professional engineering and technical personnel and advanced equipment in China and abroad, which can fully meet the requirements of material evaluation, electrochemical analysis and simulation, failure analysis and battery/module/system authentication.

Smart Manufacturing

We have engineering innovation platforms, laboratories and pilot test bases. We can carry out the construction of the technical framework of intelligent production lines, the research and development of key technologies and the development of engineering applications, providing a technical foundation for the realization of intelligent factories.

Battery Recycling Technology

We have the capability to conduct battery life estimation, non-destructive testing, cascade utilization, full component recovery and material regeneration. While striving to improve cell efficiency, we also focus on environmental protection and the benefit of mankind. We have innovatively developed a number of recycling and material regeneration technologies, which not only create new industry ecological chain value, but also protect the environment and achieve energy saving and carbon reduction.

Digitization

We have the ability to digitalize product R&D, manufacturing process and service, and realize the digital coverage of the entire manufacturing process. We built a digital manufacturing platform to improve delivery capabilities and reduce operating costs. Our continued increase in product delivery is inseparable from the smooth operation of our digital platform.

Our R&D workforce consists of seasoned industry experts who have conducted in-depth research into EV battery industry and possess global vision that keep them abreast of the advanced technological trends. As of the Latest Practicable Date, we have over 2,900 R&D staff who are devoted in the R&D of advanced materials, batteries and systems, manufacturing and engineering, battery management technologies and other fields.

In addition to our excellent in-house technical capabilities, we carry out our R&D activities through our extensive R&D resource network. Our strong R&D capability is evidenced by our extensive R&D resource network and our numerous patents and awards. We intend to establish strategic partnerships with top universities and R&D institutions in the PRC to jointly develop cutting-edge technologies and products to meet evolving market demands. We believe that these collaborations will deepen our insight into industry trends and emerging technologies, allowing us to focus on our current and future R&D efforts in a more efficient manner. In addition to technological innovation, we also seek advice from quality control experts in the EV battery industry to optimize the quality of our products.

We work closely with various industry leading enterprises to jointly develop materials for EV batteries. Such leading enterprises include listed companies that engage in the supply of cathode materials. We have formed in-depth collaboration with our upstream and downstream partners in the EV battery industry ranging from raw material suppliers to NEV manufacturers to jointly develop cutting edge products.

For further details on our collaboration with upstream and downstream partners, please refer to “Supply Management Management- Suppliers” and “Sales and Marketing- Customer Concentration” in this section.

As of the Latest Practicable Date, we entered into 135 joint technology development agreements in respect of joint development of various technologies including raw materials, battery components, EV battery products, ESS products and equipment. For example, we have entered into several jointly development agreement with our suppliers to develop cathode material of the high-voltage ternary battery and densely compacted LFP during the Track Record Period.

Although each joint technology agreement varies, for joint technology development agreements with our suppliers, we generally specify in the agreements as to the specific types and the specifications of the products while the suppliers need to arrange in-depth communications with us in relation to relevant product design, device requirements and preliminary work plan.

For joint technology agreement with our customers, we will usually take the initiative in preparing the design and work plan and work seamlessly with our customers to deliver products that are best suited for their newly developed models. For example, we cooperate closely with Customer C on a variety of new models based on a brand new NEV brand. Also, we are accelerating our joint development with Customer X on various new models.

BUSINESS

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

- **Ownership of intellectual property.** Any intellectual property (“IP”), including but not limited to technological innovations, discoveries, inventions, designs, formula, know-how, trade secrets, tests performance data, production methods created from the joint development work performed in accordance with the agreement, shall be owned by both parties. Neither party shall assign, transfer, pledge, dispose of or apply for patent or other protection of such IP without written consent by the other party.
- **Confidentiality.** Any information obtained during joint development shall not be disclosed to third party. The confidentiality obligation under the agreement shall not be affected by termination or lapse of the agreement.
- **Term and termination.** The term of the agreement varies from one year to four years on a case-by-case basis.
- **Development progress.** Each party shall inform the other one in writing of any delay or any anticipatory delay in development of the relevant products.
- **Sharing of costs.** Each party bears its own costs.

BUSINESS

Key R&D Programs

R&D Program	Projects under R&D	Progress	Investment Cost
Development of New Chemical Energy Storage Materials and Products with High Energy Density	New Materials for Next-generation Energy Storage with High Specific Energy and Low Cost	“Material preparation” stage	Approximately RMB300 million
Development of High-Efficiency Precision Smart Equipment and Advanced Manufacturing	High-speed equipment and process technology R&D	“Equipment design and process validation” stage	Approximately RMB500 million
	Smart factory core technology R&D	“Concept design and technical verification” stage	
Development of High-Performance Batteries and Systems	Development of high-performance and high safety battery system products and key technology	“Specification scheme verification” stage	Approximately RMB700 million
	Development of fast-charging and long-life battery system products and key technology	“Specification scheme verification” stage	
	Development of all-climate battery system products and key technology	“Optimization and testing” stage	
Development Technology of Next-Generation Battery	R&D of solid-state batteries and key materials	Solid electrolyte material development and 400wh/kg conceptual sample experimental stage	Approximately RMB300 million
	R&D of lithium-sulfur batteries and key materials	The development of sulfur cathode and lithium metal anode materials and the experimental stage of 500wh/kg conceptual sample	
Development of Battery Life Management Technologies	Development of key technology for intelligent battery management system and battery health diagnosis	“Program formulation completed, research and development” stage	Approximately RMB300 million
	Development of key technologies for secondary utilization and recycling of batteries	“Optimization and testing” phase	

Our key R&D programs include the following:

- Energy storage materials
 - Continue to focus on the balance between high specific energy and resource utilization efficiency, accelerate the industrial application of new material technology and increase R&D investment in next-generation materials.
- Smart manufacturing technology
 - We seek to achieve technology upgrades efficiently through the battery structure innovation and the high-integration manufacturing process innovation.
 - At the same time, we expect to realize reliable and large-scale delivery capabilities through quality and efficient production supported by smart technology.
- High-performance battery and system technology
 - We seek to build a competitive advantage in the fields of energy utilization, long life cycle, high degree of safety, high power and all-climate technology.
- New batteries
 - We will continue to increase the R&D investment in solid-state EV batteries and lithium-sulfur batteries, so as to build a leading edge in next-generation battery technology.
- Battery life-cycle management
 - We will continue to invest in the development of smart battery management technology, so as to realize a safe, reliable and long-life battery operation.
 - Meanwhile, to create a sustainable social value, we will actively explore various recycling technology, promote the closed loop of battery resource recycling, and build a green and environmentally friendly battery industry ecosystem.

We expect to launch the results of certain R&D projects, including high-voltage battery cell technology products, high-energy manganese phosphate lithium iron battery technology products and high-nickel battery cell technology products in the next 24 months. Up to the Latest Practicable Date, we have entered into sales agreements with relevant customers for four products developed from our R&D projects, including high-voltage battery cell technology products, high-energy manganese phosphate lithium iron battery technology products and high-nickel battery cell technology products.

INTELLECTUAL PROPERTY

As an innovation-driven company, we need to maintain our competitive position by protecting our intellectual property. We have a dedicated IP management team with high-caliber intellectual property personnel responsible for planning our intellectual property strategy. Our intellectual property strategy is based on a two-pronged approach of “protection of R&D achievements” and “prevention and control of IP risks” in support of the sustainable growth of our business.



Independent R&D and technological innovation are the foundation to our success. We develop comprehensive R&D plans and investment plans aimed to achieve sustainable development and form a systematic and integrated protection on intellectual property rights relying on the existing patent, trademark, copyright and other intellectual property protection laws. In connection with the disposal of Luoyang Company, on December 17, 2021, Luoyang Company as the transferor and our Company as the transferee entered into an intellectual property transfer agreement, pursuant to which Luoyang Company agreed to transfer all its titles and interests in approximately 500 patents and proprietary technology, which included all of the relevant patents necessary for our Group’s business and manufacturing operations going forward, to our Company at the consideration of approximately RMB323.92 million, which was determined with reference to the assessed value as of September 30, 2021 of such patents and proprietary technology to be transferred as valued by an independent third party valuer. Following the signing of the intellectual property transfer agreement, Luoyang Company applied for the registration of the patent transfers with the relevant authorities, and following the completion of such registration, we are now the registered owner of such transferred patents.

As of the Latest Practicable Date, we have 1,296 patents, including 205 invention patents, 1,085 utility model patents and 6 design patents, and we have applied for 889 patents which are pending review, including applications for 471 invention patents, 411 utility model patents and 7 design application, which formed a patent portfolio covering the entire battery industry chain, ranging from battery materials, battery structure, system integration, electrical circuits, battery management systems (BMS), manufacturing process equipment to battery recycling. For details of patents in relation to our business, please see “Appendix VI – Statutory and General Information – 1. Further Information about Our Company – B. Intellectual Property Rights – (i) Patents”. In addition, we have registered 62 domestic and overseas trademarks in different categories, 23 domain names and 15 software copyrights.

We fully comply with the intellectual property laws, rules and regulations, and make use of such rules, laws and regulations to protect our IP. We instill the awareness of IP risk prevention and control throughout the business chain, covering supplier selection and new product/technology development, so as to ensure that we do not run into risks of infringement that would hinder our ongoing operations.

Internal control measures relating to intellectual property rights

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

Employee management and internal intellectual property protection management system

While respecting the intellectual property rights of the holders, we require our employees to sign standard agreements stating that service inventions, trade secrets, and R&D achievements obtained by our employees during their service with us shall be our assets and that the titles of such achievements shall be transferred to us. We legally safeguard our legal rights and interests by identifying and monitoring the potential risk of third-party infringement on our intellectual property rights.

We ensure effective protection of our R&D achievements and prevent and control of IP risks by our comprehensive IP protection management system. We have passed the certification of the national "GB/T 29490 – 2013 Enterprise Intellectual Property Management Code" and established a set of IP application, evaluation and reward policies to regulate and support our IP protection efforts. We have launched the "IP Rights for Everyone" campaign within our Group to enhance the awareness of IP protection of our employees, and appointed selected R&D personnel to be trained as CPM, who are to lead and promote the participation of all our employees in the campaign of protection of R&D achievements and prevention and control of IP risks. We rely on our IP rights to ensure the Company's success in the market competition and technological innovation, as well as achieve our strategic development goals.

BUSINESS

External intellectual property management and risk control measures

We regularly monitor the status of intellectual property rights of our products under development to avoid infringement in order to minimise the risk of intellectual property right infringement which may have an impact on the sustainable operation of our Company's business. During the supplier selection process, through a combination of supplier due diligence and independent investigation by our Company, we strictly assess whether or not the suppliers have legal intellectual property rights or licensed rights over the products they supply, in order to mitigate the risk of exposing our Company to any intellectual property infringement claims of components sourced from external parties. In addition, we include clauses relating to the ownership and protection of intellectual property rights in each of our research and development agreements with business partners. We also require our business partners to avoid infringement of intellectual property rights of other third parties.

In addition, our Company also appoints legal professionals to conduct patent infringement risk investigations and analysis, and obtains legal opinions in respect of our Company's core products so as to ensure that there are no potential patent infringement risks for our products.

MANUFACTURING AND PRODUCTION

Production Sites

We possess a scaled production capacity and have accumulated extensive production experience through technological innovation and product iterative upgrades in respect of production of EV batteries and ESS products. Our scaled production capacity and advanced production techniques has pillared our rapid growth. Our production process is designed to achieve timely delivery of safe and reliable EV batteries and ESS products to our customers. We have expanded our existing production base and/or constructed new production bases at various sites, including Changzhou, Xiamen, Chengdu, Wuhan, Hefei and Jiangmen.

During the Track Record Period, we have production bases located in Changzhou, Luoyang and Xiamen. The following table sets forth the production volume, production capacity and utilization rate of our products for the years/periods indicated:

Name of Production Base	Location	2019			2020			2021			Three Months Ended March 31, 2021			Three Months Ended March 31, 2022		
		Production		Utilization rate	Production		Utilization rate	Production		Utilization rate	Production		Utilization rate	Production		Utilization rate
		volume	capacity		volume	capacity		volume	capacity		volume	capacity		volume	capacity	
		GWh	GWh		GWh	GWh		GWh	GWh		GWh	GWh		GWh	GWh	
Changzhou Production Base - Phase I	Changzhou	1.81	1.99	90.6%	0.56	0.61	91.5%	1.94	2.06	94.1%	0.25	0.26	94.3%	0.90	0.94	96.3%
Changzhou Production Base - Phase II	Changzhou	-	-	-	2.29	2.47	92.6%	5.90	6.12	96.4%	1.24	1.31	94.5%	1.64	1.70	96.4%
Luoyang Production Base	Luoyang	0.88 ⁽⁵⁾	0.97 ⁽⁵⁾	90.7%	0.93	1.02	90.9%	2.21 ⁽⁸⁾	2.36 ⁽⁸⁾	93.8%	0.38	0.41	93.8%	-	-	-
Xiamen Production Base	Xiamen	-	-	-	-	-	-	1.28	1.36	94.0%	-	-	-	1.42	1.49	95.2%
Total		2.69	2.97	90.6% ⁽⁷⁾	3.78	4.11	92.0% ⁽⁷⁾	11.33	11.9	95.1% ⁽⁷⁾	1.88	1.99	94.4%	3.97	4.14	95.9%

BUSINESS

Note:

1. Production capacity is based on the optimal hourly production rate of various machines operating 24 hours a day for 330 working days a year (not including time spent on production line upgrade or adjustment).
2. Production volume refers to actual output for the relevant year/period.
3. The utilization rate is calculated by dividing production volume by the production capacity for the same period.
4. The units of production volume and production capacity in the table are GWh.
5. The production volume and production capacity disclosed for Luoyang Company for 2019 represent the relevant results since our acquisition of Luoyang Company in June 2019.
6. Any discrepancies in the above table among the amounts identified as utilization rate, the production volume and production capacity are due to rounding.
7. The utilization rate disclosed represents the average of utilization rates in Changzhou (Phase I and Phase II), Luoyang and Xiamen production bases.
8. This represents Luoyang Company's production volume and production capacity from January 1, 2021 to November 7, 2021.

Pilot Bases

Other than production sites, we also have pilot bases which are for trial production of new products. Our pilot base Phase I and II are located in Changzhou City, Jiangsu Province with a construction area of approximately 30,106 and 30,800 square meters, respectively. The pilot base Phase I and II consist of testing laboratories, product process verification platforms and pilot production lines, which are to serve the new product design verification, process development and as new equipment development research platforms. The functions of pilot bases Phase I and II are as follows:

Pilot Phase I: It has pilot test lines for trial production of prismatic battery and the ability to conduct trial production of multiple types of batteries simultaneously. The Pilot Phase I also has the capability for pilot testing of both ternary battery and LFP battery.

Pilot Phase II: It has pilot test line for trial production of prismatic battery, and prototype lines for next generation new product designs. In addition, the Phase II test lines installed with equipment for production technology development and validation.

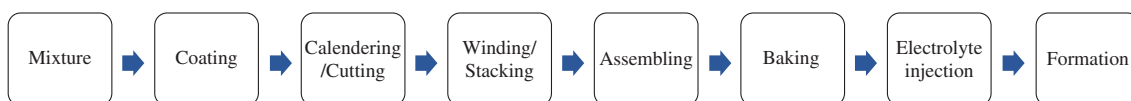
Manufacturing Process

The production of our EV batteries and ESS products consists of three stages: battery cell, the battery module and battery pack. The following are brief descriptions of each main stage in our production process.

Battery cell: Battery cell is an important component to provide energy sources for NEVs and ESS products. The characteristics of battery cell play a decisive role in the overall performance of EV batteries. A lithium-ion battery cell mainly comprises four parts:

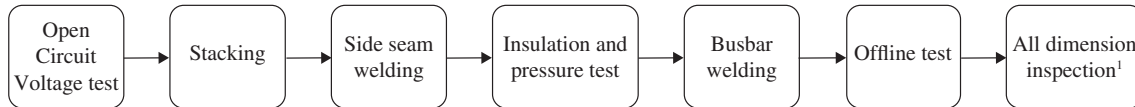
- cathode and anode – store the lithium;
- electrolyte – carries lithium-ions between the cathode and anode; and
- separator – a thin plastic filter that physically separates the cathode and anode, only allowing ions to pass through.

A battery cell mainly comprises of four parts, i.e. cathode, anode, separator and electrolyte. The flowchart and the description below shows the major steps of the production of battery cells and a general description of the production process.



- Fully automatic slurry preparation and delivery system mixes cathode and anode materials, conductive agent and binder to form slurry.
- Coating process uses a double-layer high-speed wide-width coating machine to uniformly coat the slurry on the conductive current collector.
- A bare cell is formed by combining the cathode and anode pieces and separators by winding or stacking.
- The tabs on the bare cells are connected with the cover plate by ultrasonic or laser welding. After the cell is put into the case, the process of sealing, baking, injection and formation are carried out to complete the production of the battery cell.
- Battery cells can be shipped separately, or they can be connected in series or parallel to form modules.

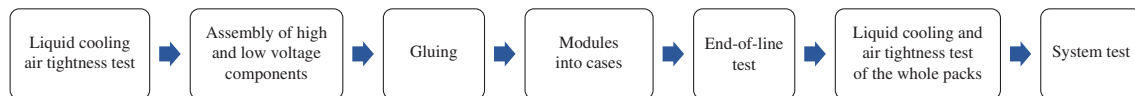
Battery module: A battery module may consist of a number of battery cells connected in series or parallel, and the number of different battery cells varies according to energy demand and voltage demand of the battery. The flowchart and the description below shows the major steps of the production of battery module and a general description of the production process.



- The battery cells are connected in series or parallel to stack and form a reliable unit, and a metal casing is added to the outside of the unit.
- The splicing of the metal casings adopts a precision laser welding process to achieve a reliable connection between the casings.
- The insulation of metal casing and the battery are tested.
- The laser welding process is used to weld the conductive strips and each battery pole together, so that each battery cell is connected in series or parallel to output energy.
- In the final step, we run an online automatic test on the wire bonding quality, module size, module electrical performance and appearance quality.

Battery modules can be directly delivered and can be assembled into battery packs for delivery.

Battery packs: The battery pack contains battery modules, electrical connections and cooling equipment. We design battery packs for specific vehicle models or ESS. The flowchart and the description below shows the major steps of the production of battery pack and a general description of the production process.



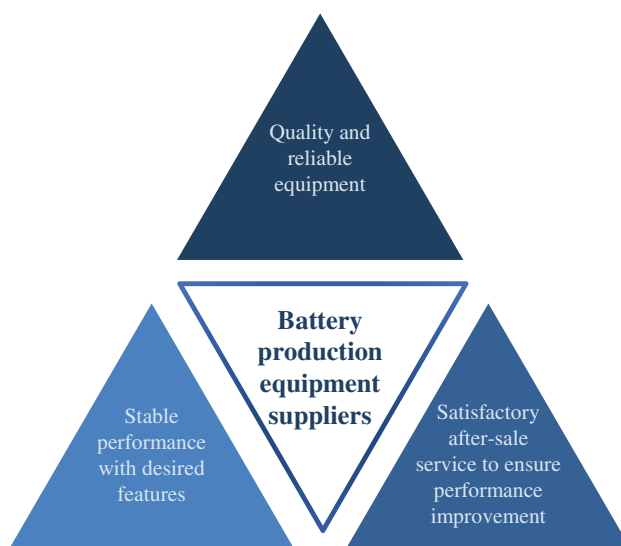
- In the metal case, a layer of thermally conductive adhesive is evenly coated, following which a certain number of batteries are assembled into the metal case and fastened.
- The modules, battery disconnect units, battery management system and other components are connected through the low-voltage wiring harness to form a complete power system, then each functional component is tested for its reliability.
- The case cover and the case body are tightened and sealed for testing the air tightness of the whole pack.

- The last step is to perform a complete system dynamic test to test the electrical performance of the relevant system.

The battery pack, as the highest level of the power unit, can be directly delivered and assembled into the vehicle.

Production Equipment

We procure our equipment from quality domestic and oversea battery production equipment suppliers to ensure:



We adopt a joint development model for our cooperation with equipment suppliers. Such joint efforts enable us to supervise and control the manufacturing process of relevant equipment. We believe this model achieves a satisfactory combination of the supplier's equipment manufacturing capabilities and our in-depth research capabilities and know-how on products and processes, so as to avoid technical issues in the design process and ensure the stability, efficiency and reliability of the relevant equipment. Moreover, in addition to strict process control in the equipment supplier and equipment manufacturing process, we also use our own testing equipment or engage a third party certified by CNAS to test the procured equipment to ensure its accuracy and reliable process capability.

After the test is completed, we will carry out various types of maintenance measures on relevant machines and equipment, to ensure the stability and reliability of the equipment and preventing equipment downtime caused by unexpected technical issues. While using the relevant machines and equipment, we also seek to enhance the capabilities of the equipment and to improve the overall efficiency. During the Track Record Period and as of the Latest Practicable Date, we did not encounter any major interruptions in the production process due to facility or equipment failures nor did we incur any major accidents.

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Our production facilities have been well maintained, are in good conditions and suitable for their designed purposes. Our utilization rate increased during the Track Record Period and we have to expand production quickly to meet the growth in the EV battery market and the growing demand for our products from our customers.

The following table describes our main production equipment as of the Latest Practicable Date.

No.	Name of the equipment	Usage and characteristics of the equipment	Country of origin	Estimated service life (month)	Remaining service life (month)
1	Mixing system	Mixing the raw materials evenly in accordance with prescribed proportions.	Japan/China	120	72~120
2	Coating machine	Coating the slurry on the current collector evenly.	Japan/China	120	72~120
3	Roller press	Compacting the coated coil to ensure the materials do not fall off and reducing the thickness.	Korea/China	120	72~120
4	Automated battery cell making equipment	Stacking the cathode/anode electrodes and separator together by winding and stacking to form a cell.	China	120	72~120
5	Automated battery cell assembly line	Assembling all the relevant components of the battery cells into the shell to form a complete cell, automatic hot pressing, automatic forming cell and filling the electrolyte.	China	120	72~120
6	Automated formation system	Activating the materials in the battery by charging.	China	120	72~120
7	Automated module line	Assembling the battery cells into modules through series connection and parallel connection.	China	120	72~120
8	Automated battery pack line	A production line that assembles battery modules, electrical connections and cooling equipment.	China	120	72~120

Production Planning Management

We make annual production plan, quarterly rolling production plan and monthly production arrangement to cover the entire delivery chain and supply chain level by level and to realize the effective synergy among development, production, supply and sales as well as the planning and implementation of bulk delivery. Through such planning/process, we seek to:

- (1) to realize low investment risks and high utilization rate of resources through annual production plan combined with new product plan and customer demand to match with production line construction; and
- (2) to ensure the quick daily turnover of our delivery chain and supply chain through quarterly rolling plan and monthly production arrangement featuring the following characteristics: (i) plan driven, (ii) collaborative procurement, (iii) cooperative logistics, and (iv) manufacturing execution.

QUALITY CONTROL

Adhering to our quality strategy of “zero defect, creating value, and earning respect”, the principle of “starting with customer needs and ending with customer satisfaction” and the quality vision of “goal-driven management, standard coverage process and integration between system and business”, we are committed to providing customers with high-quality and reliable products, while striving to continuously improve customer satisfaction, enhancing the core competitiveness of our Company, creating and sharing quality value with high-quality products and services so as to earn respect of employees, customers, suppliers and other stakeholders.

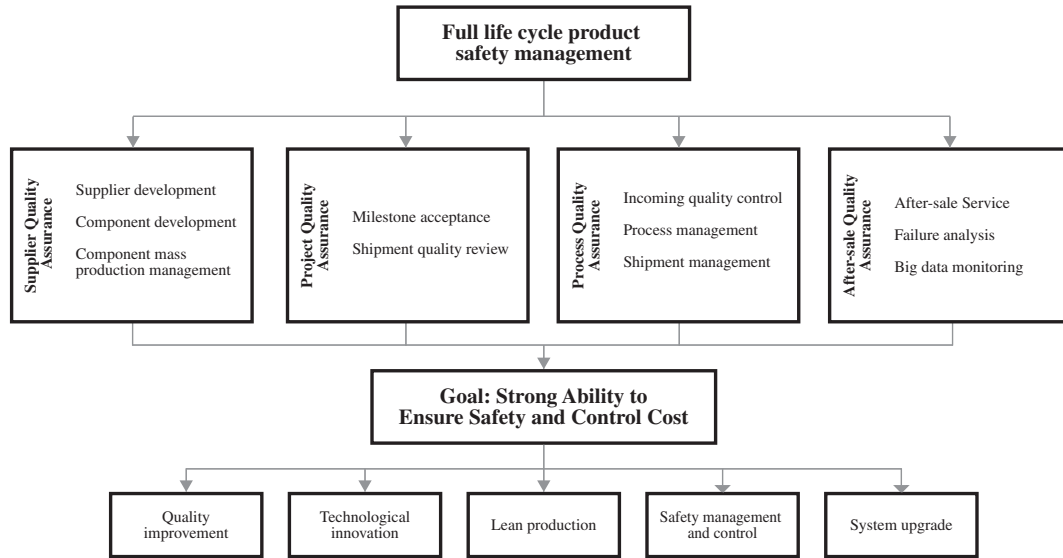
During the Track Record Period and up to the Latest Practicable Date, (i) we had not received any material complaints relating to product quality; and (ii) we had not experienced any product recalls or fatal accidents due to product defects.

We have established our product safety and quality management system to implement the safety review, precise monitoring and early warning in all aspects of our new product projects commencing from design to mass production and user consumption.

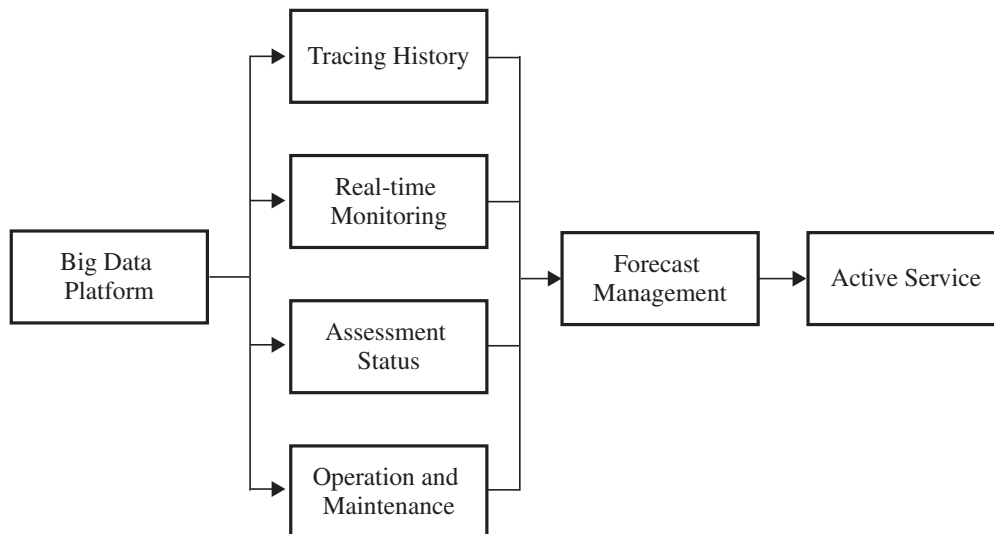
We actively implement our quality management system through our employees. We promote the continued improvement of our quality management system through a proactive five dimensions approach that includes “quality improvement”, “technological innovation”, “lean production”, “safety management and control” and “system upgrade”.

BUSINESS

We have established a full life cycle quality control system for our products from design to after-sales, which is in line with international standards and customer requirements. The flow chart of specific quality system is as follows:



We have also built our big data platform with following functions:



The core quality management team consists of a number of employees with master's or doctorate degree, and our quality control management personnel have many years of experience in quality management roles in European or American mainstream automotive companies. At the same time, dozens of our personnel have obtained the IATF16949 quality system internal auditor qualification certified by the TÜV Rheinland Group in Germany, covering all business departments related to quality.

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With our profound technical capability, we actively participated in the formulation of industry standards, implement the national enterprise standard “Front-runner” system, and strive to be the “Leader” of the “Front-runner” system. Our key achievements include:

- Jointly with China Automotive Engineering Research Institute Co., Ltd. drafted the “Front-runner Standard Evaluation Requirements” in the field of EV batteries, as an important standard for the industry’s recognized “Front-runner”.
- Cooperated with the China Automobile Center (the Secretariat of the National Automotive Standardization Technical Committee) to actively promote the formulation of objectives of the National Industrial standard.
- Amendment to GB/T 31467 “Li-ion EV Battery Packs for Electric Vehicles and System Electrical Performance Test Methods” and GB/T 31486 “Electric Performance Requirements and Test Methods of EV Batteries for Electric Vehicles”.
- Participated in the compilation of two industry standards for key components of EV battery systems-thermal management systems: QC/T “Electric Vehicle EV Battery Thermal Management System Part 1: General Requirements” and QC/T “Electric Vehicles EV Battery Thermal Management System Part 2: Liquid Cooling System”.
- Cooperated with the China Automotive Engineering Association (CSAE) to lead the drafting of T/CSAE “Guidelines for Life Evaluation of Electric Vehicle EV Batteries” and T/CSAE “Technical Conditions for Decommissioning of Electric Vehicle EV Batteries”, and proposed opinions in relation to static pressure difference of retired batteries.

At the same time, we have obtained various certifications including:

- The IATF16949 certification.
- ISO9001 certified by the China Quality Association.
- Audit certification (VDA standard, ASES standard, QIP standard) designated by various international vehicle customers.
- Our after-sales management system has passed the GB/T 27922:2011 certification.
- Our testing laboratory has been accredited by the China National Accreditation Service for Conformity Assessment CNAS (ISO/IEC17025), and is also an authorized laboratory of TÜV and SGS.

Our products have also obtained:

- China's mandatory inspection certification (GB 38031, GB 38032, GB/T 31484, GB/T 31486), energy storage type inspection, mining certification, classification society certification;
- International certification: UN certification, ROHS certification, hazardous characteristics classification certification, cargo transportation appraisal report (sea, land, air); EU TÜV certification, battery directive, REACH certification; North America UL certification; India BIS certification.

SUPPLY CHAIN MANAGEMENT

Suppliers

We have established a trusting and stable cooperative relationship with suppliers, which gives us a stable access to quality raw materials. We embrace the philosophy of co-creation and win-win cooperation and strive to build a positive EV battery ecosystem with our suppliers. We collaborate with our suppliers in the R&D of raw materials to produce safer, more reliable batteries with better energy density. Such cooperation not only helps us build strong relationship with our suppliers but also allows us to extend our technical expertise upstream. We believe such effort has been instrumental in building a stable raw material supply and enhancing our technical capability.

Introduction of New Suppliers

The quality of our raw materials is crucial to the performance of our products, thus it is essential that we select suppliers carefully. We have a comprehensive evaluation system for selecting suppliers. Ahead of engaging new suppliers, our procurement, R&D, and quality teams evaluate potential suppliers in various aspects, including their qualifications, market reputation, production capacity, technology, quality and cost control.

Prior to accepting the suppliers as qualified suppliers by our Company, the sample products provided by them have to be technically verified by us. Through a combination of supplier due diligence and independent investigation by our Company, we also strictly assess whether or not the suppliers have legal intellectual property rights or licensed rights over the products they supply. We have a supplier quality system to evaluate the suppliers' quality management capabilities. We strictly manage the quality of supplied products in accordance with the automotive industry standard VDA6.3, and we require the suppliers of our key manufacturing components to have obtained the IATF16949 qualification.

Raw Materials Procurement

The major raw materials of our products mainly include cathode material, anode material, separators, and electrolytes. We have a complete raw materials procurement framework. During the Track Record Period, we had not encountered any material shortage, delay or major difficulty in the procurement of raw materials from our suppliers. To the best knowledge of our Directors, our raw material suppliers did not experience any material shortage of raw materials during the Track Record Period and up to the Latest Practicable Date.

Our direct raw material suppliers are mainly from China. To ensure a stable supply of raw materials, we analyze market supply and demand, conduct forward plans and establish strategic partnerships with leading suppliers in major material categories. Under our supplier management system, we closely collaborate with strategic suppliers to engage in upstream raw material research and to ensure a stable supply of relevant raw materials. In principle we seek to have relationships with two or more suppliers for the same raw materials to satisfy our needs and to ensure the stable supply of raw materials.

We also regularly evaluate the performance of our suppliers, focusing on criteria that include raw material quality, delivery, cost and, where applicable, the technical specifications of the products supplied by them. We have a team that engages in communication with our suppliers so as to manage our supply chain and our trusting and stable relationship with our suppliers.

Supply-Demand of Raw Materials

Cathode material is the largest component of the cost of our battery cells and is also one of the raw materials that mainly affects the cost of our batteries. The cathode materials we purchase are mainly composed of metal elements such as lithium, nickel and cobalt, some of which were in shortage during the Track Record Period, causing increase in price of cathode materials. Since 2021, our average purchase price of cathode materials has been increasing, mainly due to the increase of price of lithium, nickel and cobalt metal raw materials in cathode materials. For the movements of price of raw materials during the Track Record Period, please refer to “Financial Information – Raw material costs”.

For nickel resources, as mentioned above, the Russian-Ukrainian war has had an impact on the global nickel supply. Russia is the one of world’s largest nickel producer. Affected by export restrictions and war-related sanctions, the price of benchmark nickel futures traded on the London Metal Exchange rose sharply in the first quarter of 2022, triggering the daily increase limit suspension. Regarding lithium resources, during the Track Record Period and up to the Latest Practicable Date, there has been no serious shortage of upstream lithium resources.

The price fluctuation of raw materials has an impact on our finance and operation, please refer to “Risk Factors – We are exposed to price fluctuations of raw materials, which may result in gross loss” for details. According to Frost & Sullivan, despite the sharp increase in price of cathode raw materials, due to economies of scale and technological progress, the cost of EV batteries has not increased to the same extent. The average cost of EV batteries is expected to remain high in early 2022 and then continue to decline from late 2022 to 2026. Meanwhile, for raw materials that are in short supply for an extended time and whose prices are expected to rise significantly, we will continue to adopt strategies such as making strategic stockpiles in advance, locking orders in advance with suppliers, signing long-term agreements and other strategies to alleviate the problem of tight supply and demand, so as to obtain more favorable prices to respond to the periodic expected rise in the prices of some raw materials and reduce the cost of our products in the long run. We have signed long-term agreements with relevant upstream lithium resource suppliers to ensure our raw material supply. At the same time, the processing costs of upstream raw materials such as lithium resources have a limited increase and have a low proportion of the cost of lithium carbonate, therefore, they will not have a significant impact on our actual production and operation. In addition, with the large-scale expansion of upstream raw material suppliers, the processing costs of related products will also return to a reasonable level. In terms of nickel resources, during the Track Record Period and up to the Latest Practicable Date, we have reached cooperation with relevant upstream nickel resource suppliers, of whose nickel resources are mainly sourced from Indonesia and Australia and we had not procured any nickel resources directly or, to the best knowledge of our Directors, indirectly from Russia. Thus, there has been no material adverse impact on us due to the decrease in nickel export volume from Russia, and our production and operations were not materially affected. In addition, we have established mutual trust and stable cooperative relations with our suppliers, which enables us to obtain stable supply of high-quality raw materials.

During the first quarter of 2022, the Ministry of Industry and Information Technology of the Chinese government (the “**Ministry**”) has stated multiple times that it will focus on meeting the production needs of EV batteries and other production needs, and moderately accelerate the development progress of domestic lithium, nickel and other resources, which means that the development of domestic lithium, nickel and other resources has received support at the national level, which will also provide favorable conditions for the accelerated release of domestic lithium, nickel and other resource production capacity. Particularly, our top five raw material suppliers are all domestic entities for each of the three years ended December 31, 2021 and the three months ended March 31, 2022, and we purchased substantially all of our major raw materials from these domestic suppliers. Such raw material suppliers may source the relevant raw materials from PRC or from countries and districts outside the PRC, and for suppliers who source from PRC will benefit from national policies that support the development of the EV battery industry. At the same time, the Ministry also requires that upstream and downstream enterprises in the industrial chain should strengthen the connection between supply and demand, work together to form a long-term and stable strategic cooperative relationship, jointly guide the rational return of lithium salt prices, increase efforts to ensure market supply, and better support the healthy development of the country’s new energy vehicles and other strategic emerging industries. In addition, according to the world’s largest nickel producer, Norilsk Nickel in Russia, compared with the shortage of about 3.21 million tons of nickel in 2021, it is expected that the global primary nickel production will increase by about 19% in 2022 to about 40,000 tons of moderate surplus. The shortage of raw material nickel is expected to ease in 2022.

Supply Agreements

We generally enter into the following agreements with our supplier, including, the procurement framework agreement, the strategic cooperation agreement and purchase order.

The major contract terms of procurement framework agreements we enter into with our suppliers generally include the following:

- *Validity period*: Generally three years.
- *Purchase order* – We shall notify the suppliers of the type, specification, unit price, quantity and date of delivery of the raw materials we need in writing.
- *Price* – Prices will be determined and set out in each purchase order.
- *Inspection and product returns* – Product inspection shall take place within a specified period after delivery of the raw materials to us. We shall be entitled to return to the suppliers the defective raw materials that do not meet the agreed quality standard, and the suppliers shall remedy the same, including product return and replacement.
- *Credit terms and payment method* – The credit period and payment method shall be in accordance with the purchase order.
- *Intellectual property rights* – matters in relation to the intellectual property rights that should be complied with during the performance of the agreement, and guarantee from our suppliers that the products supplied do not infringe the rights and interests of any third party.

We may also enter into long-term supply agreement with our strategic suppliers to jointly development the procured materials, and the validity period of such agreements generally ranges from three to five years. Our long-term supply agreement generally contains similar terms as those of procurement framework agreement with exception to clauses in respect of joint development. We specify the criteria of the procured materials, the progress of joint development, the research personnel, costs, and the ownership of the intellectual property rights created by the joint development, for which we typically jointly own with our strategic suppliers. For more details on long-term agreements that include jointly development, please see “R&D – R&D Team” in this section.

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We separately enter into purchase order form on an order-by-order basis after the procurement framework agreement is mutually agreed by both parties. The principal terms of our typical purchase orders primarily include:

- (i) Number of the specific framework agreement the purchase order is based on.
- (ii) Quantity and product specifications of raw materials to be purchased.
- (iii) Unit prices and aggregate purchase price of relevant raw materials, which is negotiated between our suppliers and us.
- (iv) Payment terms vary depending on the type of raw materials we purchase, but we typically make payment within 30-90 days after billing.
- (v) Expected delivery location and date.
- (vi) The warranty period varies depending on the product purchased.

We generally require our supplier to confirm in writing whether to accept the purchase order in two business days after receipt of the purchase order. Otherwise, the purchase order will be deemed as accepted. In each purchase order, we will reassert the above-mentioned terms on the protection of intellectual property rights in the procurement framework agreements. In addition, we strategically enter into long-term supply agreement with our suppliers of major materials to obtain better solutions and prices. At the same time, where applicable, we also enter into strategic cooperation agreement with our major suppliers to ensure the stable supply of our key components.

Sustainable procurement

We conduct regular trainings of corporate social responsibilities for our suppliers while taking up our own social responsibilities and mission. To this end, we have developed relevant social responsibility management procedures and signed the corporate social responsibility agreement with our suppliers in respect of business ethics, working conditions, human rights, environmental and safety matters and so on. As a core member of the EV battery industry, we strive to work together with our industry partners to establish a healthy EV battery ecosystem.

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Major Suppliers

For each year/period during the Track Record Period, purchase from our top five suppliers was RMB2,311.4 million, RMB1,576.8 million, RMB5,366.5 million and RMB3,154.7 million, respectively, accounted for approximately 66.3%, 45.3%, 46.7% and 56.8% of our total purchase amount for the corresponding period. For each year/period during the Track Record Period, our purchase from our largest supplier amounted to RMB913.6 million, RMB634.0 million, RMB2,976.1 million and RMB1,725.8 million, representing approximately 26.2%, 18.2%, 25.9% and 31.1% of our total purchase amount for the corresponding period. The following table sets out the purchase amount from our five largest suppliers during the Track Record Period and their respective profiles.

For the three months ended March 31, 2022

Suppliers ^{Note 11}	Purchase (RMB'000)	As a percentage of total purchase amount for the corresponding period	Company background	Length of Relationship	Credit Term	Payment Method	Products purchased by our Group	Registered capital/ Issued share capital (RMB in millions)
Supplier A (Note 1)	1,725,786	31.1%	A company listed on the Shanghai Stock Exchange, mainly engaged in the R&D, production and sales of new energy materials including tungsten smelting products, tungsten powder, cemented carbide, tungsten and molybdenum wire	Five years	Payment within 30 or 60 days after billing	Wire transfer or bank acceptance bills or Letter of credit	Cathode materials	1,418.46
Luoyang Company	700,119	12.6%	A limited liability company engaged in the research, production, sales and market application development of lithium-ion EV batteries, battery management systems (BMS), energy storage batteries and related integrated products and lithium battery-related materials	One year	Advance payment: 60% Acceptance: 40%	Wire transfer	EV batteries and ESS products	990.87
Supplier B (Note 2)	300,870	5.4%	A company listed on the Shenzhen Stock Exchange and mainly engaged in the research and development, and production of lithium battery structural parts and automobile structural parts	Five years	Payment within 90 days after billing	Bank acceptance bills	Casing cover board	232.92

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Suppliers ^{Note 11}	Purchase (RMB'000)	As a percentage of total purchase amount for the corresponding period	Company background	Length of Relationship	Credit Term	Payment Method	Products purchased by our Group	Registered capital/ Issued share capital (RMB in millions)
Supplier J (Note 10)	216,336	3.9%	A company listed on the Shenzhen Stock Exchange and mainly engaged in production and sales of lithium carbonate, lithium hydroxide, lithium chloride and other lithium products, and technology development, project investment and industrial operation of new energy and new materials	Two years	Advance prepayment: 10% to 15% Payment on delivery: 85% to 90%	Wire transfer	Cathode materials	497.71
Supplier D (Note 4)	211,572	3.8%	A company listed on the Shenzhen Stock Exchange and a high-tech enterprise specializing in the research and development and production of lithium battery anode materials, a manufacturer of magneto electric equipment and lithium battery anode materials	Five years	Payment within 60 days after billing	Bank acceptance bills	Anode materials	642.37
	<u>3,154,683</u>	<u>56.8%</u>						

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For the year ended December 31, 2021

Suppliers ^{Note 11}	Purchase (RMB'000)	As a percentage of total purchase amount for the corresponding period	Company background	Length of Relationship	Credit Term	Payment Method	Products purchased by our Group	Registered capital/ Issued share capital (RMB in millions)
Supplier A (Note 1)	2,976,105	25.9%	A company listed on the Shanghai Stock Exchange, mainly engaged in the R&D, production and sales of new energy materials including tungsten smelting products, tungsten powder, cemented carbide, tungsten and molybdenum wire	Five years	Payment within 30 or 60 days after billing	Wire transfer or bank acceptance bills or letter of credit	Cathode materials	1,418.46
Supplier B (Note 2)	851,736	7.4%	A company listed on the Shenzhen Stock Exchange and mainly engaged in the research and development, and production of lithium battery structural parts and automobile structural parts	Five years	Payment within 90 days after billing	Bank acceptance bills	Casing cover board	232.92
Supplier C (Note 3)	721,556	6.3%	A company listed on the Shanghai Stock Exchange, which is a supplier of comprehensive solution for laser and automated assembly	Four years	Advance payment: 20% Initial acceptance: 30% Acceptance: 40% Warranty: 10%	Wire transfer	Equipment	200
Supplier D (Note 4)	436,681	3.8%	A company listed on the Shenzhen Stock Exchange and a high-tech enterprise specializing in the research and development and production of lithium battery anode materials, a manufacturer of magneto electric equipment and lithium battery anode materials	Five years	Payment within 60 days after billing	Bank acceptance bills	Anode materials	642.37
Supplier E (Note 5)	380,377	3.3%	A company listed on the Shenzhen Stock Exchange which is specialized in the research and development and production of Lithium-ion battery materials, daily chemical materials and special chemicals	Seven years	Payment within 30 days after billing	Bank acceptance bills	Electrolyte	959.83
Total	5,366,455	46.7%						

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For the year ended December 31, 2020

Suppliers ^{Note 11}	Purchase (RMB'000)	As a percentage of total purchase amount for the corresponding period	Company background	Length of Relationship	Credit Term	Payment Method	Products purchased by our Group	Registered capital/ Issued share capital (RMB in millions)
Supplier A (Note 1)	633,950	18.2%	A company listed on the Shanghai Stock Exchange, mainly engaged in the R&D, production and sales of new energy materials including tungsten smelting products, tungsten powder, cemented carbide, tungsten and molybdenum wire	Five years	Payment within 30 or 60 days after billing	Wire transfer or bank acceptance bills or letter of credit	Cathode materials	1,418.46
Supplier B (Note 2)	308,956	8.9%	A company listed on the Shenzhen Stock Exchange and mainly engaged in the research and development, and production of lithium battery structural parts and automobile structural parts	Five years	Payment within 90 days after billing	Bank acceptance bills	Casing cover board	232.92
Supplier F (Note 6)	274,707	7.9%	A wholly state-owned limited company established in Beijing, which is engaged in general contracting of construction projects and research and development, production and sales of environmental protection equipment and engineering machinery, computer software and hardware, construction materials, mechanical and electrical products, machinery and spare parts	Six years	Advance payment: 20% Initial acceptance: 40% Acceptance: 30% Warranty: 10%	Wire transfer or bank acceptance bills	Equipment	1,050
Supplier G (Note 7)	234,257	6.7%	A company listed on Shanghai Stock Exchange, which is specialized in key materials and automated process equipment for lithium-ion batteries	Six years	Payment within 60 or 90 days after billing	Bank acceptance bills	Anode materials	694.4
Supplier H (Note 8)	124,956	3.6%	A company listed on the Shenzhen Stock Exchange, which is engaged in lithium battery intelligent equipment, fuel cell intelligent equipment, intelligent logistics system, etc.	Seven years	Advance payment: 30% Payment on delivery after acceptance: 60% Warranty: 10%	Wire transfer	Equipment	881.45
Total	1,576,826	45.3%						

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For the year ended December 31, 2019

Suppliers ^{Note 11}	Purchase (RMB'000)	As a percentage of total purchase amount for the corresponding period	Company background	Length of Relationship	Credit Term	Payment Method	Products purchased by our Group	Registered capital/ Issued share capital (RMB in millions)
Supplier F (Note 6)	913,616	26.2%	A wholly state-owned limited company established in Beijing, which is engaged in general contracting of construction projects and research and development, production and sales of environmental protection equipment and engineering machinery, computer software and hardware, construction materials, mechanical and electrical products, machinery and spare parts	Six years	Advance payment: 20% Initial acceptance: 40% Acceptance: 30% Warranty: 10%	Wire transfer or bank acceptance bills	Equipment	1,050
Supplier A (Note 1)	620,950	17.8%	A company listed on the Shanghai Stock Exchange, mainly engaged in the R&D, production and sales of new energy materials including tungsten smelting products, tungsten powder, cemented carbide, tungsten and molybdenum wire	Five years	Payment within 30 or 60 days after billing	Wire transfer or bank acceptance bills or letters of credit	Cathode materials	1,418.46
Supplier G (Note 7)	399,706	11.5%	A company listed on Shanghai Stock Exchange, which is specialized in key materials and automated process equipment for lithium-ion batteries	Six years	Payment within 60 or 90 days after billing	Bank acceptance bills	Anode materials	694.4
Supplier B (Note 2)	264,738	7.6%	A company listed on the Shenzhen Stock Exchange and mainly engaged in the research and development, and production of lithium battery structural parts and automobile structural parts	Five years	Payment within 90 days after billing	Bank acceptance bills	Casing cover board	232.92
Supplier I (Note 9)	112,361	3.2%	A multinational group company listed on the Shanghai Stock Exchange and mainly engaged in high-tech new energy material industry, specializing in the research, development and operation of lithium battery cathode materials	Five years	Payment within 30 days after billing	Bank acceptance bills	Cathode materials	448.10
Total	2,311,371	66.3%						

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Notes:

1. Supplier A is a state-owned company incorporated in Xiamen, Fujian Province in December 1997. Based on the publicly available information and to the best knowledge and latest understanding of our Directors, Supplier A's total asset amounted to approximately RMB32.9 billion as of December 31, 2021.
2. Supplier B is a private company incorporated in Shenzhen, Guangdong Province in September 1996. Based on the publicly available information and to the best knowledge and latest understanding of our Directors, Supplier B's total asset amounted to approximately RMB7.3 billion as of December 31, 2021.
3. Supplier C is a private company incorporated in Shenzhen, Guangdong Province in April 2008. Based on the publicly available information and to the best knowledge and latest understanding of our Directors, Supplier C's total asset amounted to approximately RMB5.6 billion as of December 31, 2021.
4. Supplier D is a private company incorporated in April 2004 in Yueyang, Hunan Province. Based on the publicly available information and to the best knowledge and latest understanding of our Directors, Supplier D's total asset amounted to approximately RMB6.3 billion as of December 31, 2021.
5. Supplier E is a private company incorporated in Guangzhou, Guangdong Province in June 2000. Based on the publicly available information and to the best knowledge and latest understanding of our Directors, Supplier E's total asset amounted to approximately RMB13.9 billion as of December 31, 2021.
6. Supplier F is a state-owned company incorporated in Beijing in July 1991. Based on the publicly available information and to the knowledge and latest understanding of our Directors, Supplier F had over 1,000 employees as of December 31, 2021.
7. Supplier G is a private company incorporated in Shanghai in November 2012. Based on the publicly available information and to the best knowledge and latest understanding of our Directors, Supplier G's total asset amounted to approximately RMB21.5 billion as of December 31, 2021.
8. Supplier H is a private company incorporated in Wuxi, Jiangsu Province in April 2002. Based on the publicly available information and to the best knowledge and latest understanding of our Directors, Supplier H's total asset amounted to approximately RMB24.0 billion as of December 31, 2021.
9. Supplier I is a private company incorporated in Ningbo, Zhejiang Province in September 2014. Based on the publicly available information and to the best knowledge and latest understanding of our Directors, Supplier I's total asset amounted to approximately RMB14.7 billion as of December 31, 2021.
10. Supplier J is a private company incorporated in Chengdu, Sichuan Province in December 2001. Based on the publicly available information and to the best knowledge and latest understanding of our Directors, Supplier J's total asset amounted to approximately RMB7.3 billion as of December 31, 2021.
11. The Company has made written request to the supplier for its consent to disclose its identity in this document. As of the Latest Practicable Date, no consent has been provided. We choose not to disclose names due to supplier preference and confidentiality.

Aside from Supplier F, a subsidiary of AVIC, which indirectly controls approximately 9.93% of our share capital upon completion of the Global Offering, none of our Directors, their respective associates, or any of our current Shareholders who, to the best knowledge of our Directors, owns more than 5% of our share capital of the Company or any of our subsidiaries, has any interest in any of our five largest suppliers. The terms of our Group's purchases from Supplier F are the same as those of other independent suppliers. Supplier F was the main sub-contractor for the construction of Changzhou production base and the supplier of equipment and machines for such production base. Supplier F ceased to be one of our Group's top five suppliers from 2020 onwards as a result of our Group's normal tendering process.

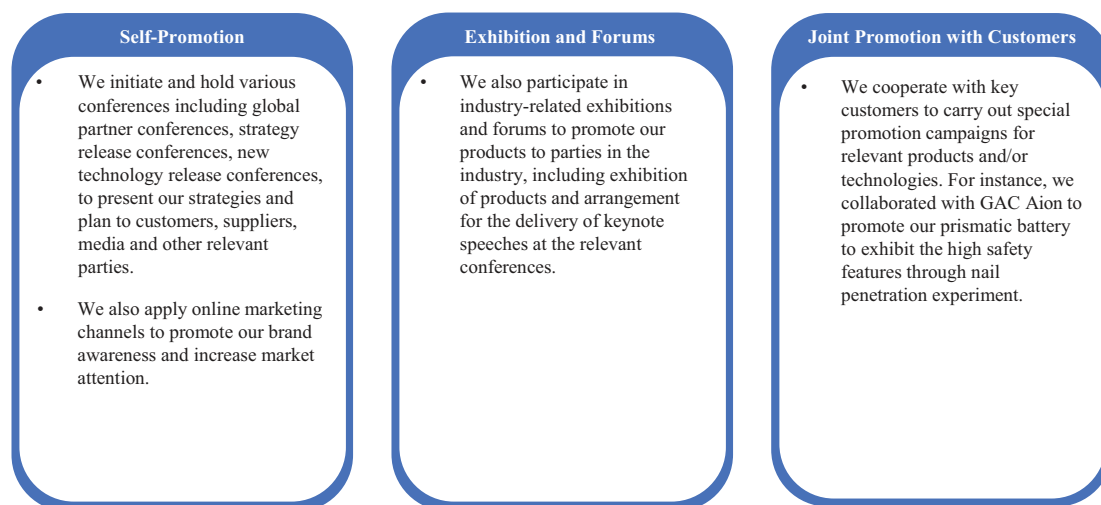
SALES AND MARKETING

We formulated detailed sales and marketing strategies with reference to our product types. Our products comprise EV batteries and ESS products and we have established corresponding detailed marketing strategies, customer strategies and product strategies according to different geographic areas and markets for each of EV batteries and ESS products.

Marketing

Our marketing strategies are based on our comprehensive research on the relevant market segment. We conduct research on future capacity of the relevant market segment, and analyze applicable market and policy opportunities and risks while taking into account the our strengths and weaknesses, to formulate market strategies and plans.

We have been able to generate significant media coverage of our brand and our products, and our principal marketing goals are to build brand awareness and loyalty. In respect of brand marketing, we undertake various targeted marketing activities to enhance the market awareness of our products and our brand recognition. Our typical marketing activities includes the following.



Customers Strategies

We closely collaborate and engage in active communication with our customers. We research and study their strategic planning in respect of product, technology, production and sales and customise our customer strategies according to their needs. We conduct a key account strategy as our major customer strategy. We work with our major customers to jointly formulate long-term cooperation plans, including planning guidelines on both parties' technology, product and capacity. Once the planning guidelines are formulated, we and our major customers will carry out product development and capacity construction activities accordingly.

Pricing Policy

Our ability to properly price our products is important to our results of operations. We have an effective pricing strategy. We usually use a cost-plus method to price our products based on the product quotation management procedures. Firstly, we assess the customer's product demand, consider expected product sales volume, estimated selling price, battery type and other information. Secondly, we conduct product cost accounting for the relevant cost information of these products (taking into account of R&D, raw materials, manufacturing expenses, etc.), and formulate a quotation based on the above calculation. In addition to the above methods, we also price our products based on other factors, such as our long-term cooperation with the relevant customer. As fluctuations in the prices of raw materials may result in fluctuations in the prices of our products, we generally enter into sales agreements with our customers or accept customer purchase orders. For example, when the cost of our products increases or decreases beyond certain limits, the price will be adjusted based on further agreement between the parties. The pricing of our products will be reviewed regularly by the relevant departments, and will be adjusted in a timely manner.

EV battery customers

EV battery is a core NEV component and accounts for a material portion of the NEV manufacturing cost. NEV manufacturers are actively seeking for high-quality EV battery suppliers with mass production experience, so as to ensure the competitiveness and stable supply of their NEVs. During the Track Record Period, our customers were mostly NEV manufacturers and we recorded exponential growth and became a main EV battery supplier to well-established NEV manufacturers.

Our products have been delivered in batch to the industry leading NEV manufacturers, especially with well-known domestic auto manufacturers, such as GAC Aion^{Note 1}, Changan NEV^{Note 2}, Virid E-mobility Technology (Ningbo) Co., Ltd. (威睿電動汽車技術(寧波)有限公司) (an affiliate of Geely Automobile Group Co., Ltd.), Leapmotor and Customer X, a NEV brand. During the Track Record Period, we provided our customers with VDA series battery, 590 series ternary battery and LFP battery products for various NEVs including passenger vehicles and commercial vehicles. Our products and brand are well recognized by our customers for their safety, reliability and quality. For example, our penetration rate to Aion series of GAC Aion^{Note 1} was approximately 70%¹ in 2021; and we have become the lead battery supplier for Benben E-star, Edo EV460, CS15, CS55, UNI-K and other NEVs models of Changan NEV^{Note 2}.

In 2020, we took the lead in mass production of 5-series high voltage battery in the world, which is installed on Aion-LX model designed by our major customer, GAC Aion. The Aion-LX model installed with our 5-series high voltage battery is able to reach a driving distance of more than 600km, becoming one of the first domestic SUV NEV model with a mileage that exceeds such distance. Our ternary battery pack products passed the nail penetration and heat diffusion test by which is a strong proof of our thermal safety technology. Our ternary battery packs passed the nail penetration test for fire protection, and thus relieve the safety concerns of NEV consumers. Our outstanding performance has been highly recognized by our customers and we have been continuously awarded with “New Energy Contribution Award” from Changan NEV and “New Energy Excellent Supplier” from Customer G. We have also passed the relevant supply review procedures of certain internationally well-known OEM.

According to Frost & Sullivan, it is customary for EV battery companies to engage in direct sales as opposed to selling to customers that resell their products. For each of the years and the period under Track Record Period, we derived no more than 5% of our revenue from sales to customers who we understand may resell our battery modules, and we engaged in such sales for commercial reasons. We have a buyer and seller relationship with such customers. Revenue from the sale of goods to such customers is recognized when control of the goods has transferred, being when the goods have shipped to the customer’s specific location (delivery). During the Track Record Period, there were four such customers, one of which is CALB USA INC (“**CALB USA**”), one of our connected persons. On April 6, 2022, we entered into sales framework agreement with CALB USA as our distributor in the USA, pursuant to which we sell EV batteries to CALB USA. Our Group and CALB USA will enter into specific sales agreement in respect of each transaction. With the exception to product returns due to defects,

1 The penetration rate of a single vehicle model is the total battery capacity of our products on that vehicle model divided by the total battery capacity of that vehicle model (i.e., the total installed capacity of our products on that vehicle model divided by the sales volume of that vehicle model and the installed capacity per vehicle). The penetration rate of a model series is the total installed capacity of our products in all models of the series divided by the total sales volume of the series and the installed capacity of each vehicle.

Note 1: Customer G holds 78.86% equity interest in GAC Aion and is the controlling shareholder of GAC Aion.

Note 2: Customer C holds 40.66% equity interest in Changan NEV and is the controlling shareholder of Changan NEV.

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products sold to such customers cannot be returned to us pursuant to the relevant contracts. For further details relating to our sales to CALB USA, please see “Connected Transactions – Partially-Exempt Continuing Connected Transaction – 4. Sales Framework Agreement”.

ESS Customers

We provide LFP battery modules, battery boxes and battery containers for power generation, grid, and user-side energy storage customers. During the Track Record Period, our main customers included well-known domestic power grid companies in China. In August 2020, we provided energy storage batteries to one of the then largest lithium-ion battery ESS projects in the world. At the same time, we have provided photovoltaic + energy storage solutions and technical support for multiple energy storage projects, and we have undertaken our due corporate mission in order to fully implement the “carbon peak and carbon neutral” strategic goals.

The following table sets forth details of our total number of recurring customers and the total number of customers for the years indicated.

	As of December 31,		
	2019	2020	2021
Total number of recurring customers ^(Note) for the relevant period	<u>57</u>	<u>77</u>	<u>86</u>
Total number of customers	<u><u>114</u></u>	<u><u>105</u></u>	<u><u>171</u></u>

Note: Recurring customers are those who have transaction with us for at least two year for every three year period.

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Major Customers

During the Track Record Period, our customers were mainly from the PRC. For each year/period during the Track Record Period, we generated revenue of RMB1,398.5 million, RMB2,352.8 million, RMB5,647.0 million and RMB3,341.4 million, from our five largest customers, accounting for 80.7%, 83.2%, 82.9% and 85.8% of our total revenue for the corresponding period, respectively. For each year/period during the Track Record Period, our revenue from the largest customer amounted to RMB686.4 million, RMB1,557.5 million, RMB3,537.1 million and RMB1,207.6 million, accounting for 39.6%, 55.1%, 51.9% and 31.0% of our total revenue for the corresponding period, respectively. The following table sets forth details of our five largest customers for the years and the periods indicated.

For the three months ended March 31, 2022

Customer ^{Note 12}	Revenue contribution (RMB'000)	Percentage of total revenue for the corresponding period	Company background	Length of relationship	Credit Term	Payment method	Products sold by our Group	Registered capital/Issued share capital (RMB in millions)
Customer G (Note 3)	1,207,594	31.0%	A dual-listed company on the Stock Exchange and the Shanghai Stock Exchange, specializing in the manufacturing and sales of passenger vehicles and commercial vehicles	Four years	Payment in advance: 50%; Payment within 15 days on receipt of goods: 50%	Wire transfer	LFP battery, Ternary battery	10,232.50
Customer X (Note 9)	1,066,850	27.4%	A dual-listed company on the Stock Exchange and the New York Stock Exchange, specializing in the design, manufacturing and sales of NEVs	Two years	Payment within 30 days after billing	Wire transfer or Bank acceptance bills	Ternary battery	6,126.31
Customer L (Note 11)	471,760	12.1%	A limited liability company engaged in design, production and sales of NEVs and automotive components	Two years	Payment in advance: 50%; Payment on delivery: 50%	Wire transfer or Bank acceptance bills	Ternary battery	2,908

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Customer ^{Note 12}	Revenue contribution (RMB'000)	Percentage of total revenue for the corresponding period	Company background	Length of relationship	Credit Term	Payment method	Products sold by our Group	Registered capital/Issued share capital (RMB in millions)
Customer M (Note 10)	332,173	8.5%	A limited liability company engaged in power system assembly, motor and gearbox power system, control system, energy storage battery and system, vehicle battery and BMS	Two years	Payment within 60 days after billing	Bank acceptance bills	LFP battery	30.44
Customer C (Note 2)	263,058	6.8%	A listed company on the Shenzhen Stock Exchange, specializing in the production of passenger vehicles, minivans, commercial vans and light trucks	Four years	Payment within 60 days after billing	Bank acceptance bills	Ternary battery	4,802.65
Total	<u>3,341,435</u>	<u>85.8%</u>						

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For the year ended December 31, 2021

Customer ^{Note 12}	Revenue contribution (RMB'000)	Percentage of total revenue for the corresponding period	Company background	Length of relationship	Credit Term	Payment Method	Products sold by our Group	Registered capital/ Issued share capital (RMB in millions)
Customer G (Note 3)	3,537,094	51.9%	A dual-listed company on the Stock Exchange and the Shanghai Stock Exchange, specializing in the manufacturing and sales of passenger vehicles and commercial vehicles	Four years	Payment in advance: 50% Payment within 15 days on receipt of goods: 50%	Wire transfer	LFP battery, Ternary battery	10,232.50
Customer C (Note 2)	946,661	13.9%	A listed company on the Shenzhen Stock Exchange, specializing in the production of passenger vehicles, minivans, commercial vans and light trucks	Four years	Payment within 60 days after billing	Bank acceptance bills	Ternary battery	4,802.65
Customer X (Note 9)	537,931	7.9%	A dual-listed company on the Stock Exchange and the New York Stock Exchange, specializing in the design, manufacturing and sales of NEVs	Two years	Payment within 30 days after billing	Wire transfer or bank acceptance bills	Ternary battery	6,126.31
Customer M (Note 10)	333,737	4.9%	A limited liability company engaged in power system assembly, motor and gearbox power system, control system, energy storage battery and system, vehicle battery and BMS	Two years	Payment within 60 days after billing	Bank acceptance bills	LFP battery	30.44
Customer L (Note 11)	291,580	4.3%	A limited liability company engaged in design, production and sales of NEVs and automotive components	Two years	Payment in advance: 50% Payment on delivery: 50%	Wire transfer or bank acceptance bills	Ternary battery	2,908
Total	5,647,003	82.9%						

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For the year ended December 31, 2020

Customer ^{Note 12}	Revenue contribution (RMB'000)	Percentage of total revenue for the corresponding period	Company background	Length of relationship	Credit Term	Payment Method	Products sold by our Group	Registered capital/ Issued share capital (RMB in millions)
Customer G (Note 3)	1,557,502	55.1%	A dual-listed company on the Stock Exchange and the Shanghai Stock Exchange, specializing in the manufacturing and sales of passenger vehicles and commercial vehicles	Four years	Payment in advance: 50% Payment within 15 days on receipt of goods: 50%	Wire transfer	LFP battery, Ternary battery	10,232.50
Customer C (Note 2)	582,762	20.6%	A listed company on the Shenzhen Stock Exchange, specializing in the production of passenger vehicles, minivans, commercial vans and light trucks	Four years	Payment within 60 days after billing	Bank acceptance bills	Ternary battery	4,802.65
Customer O (Note 3)	86,008	3.0%	A limited liability company specializing in the production and sale of passenger vehicles and commercial vehicles	Four years	Payment within 45 days after receipt of invoice	Bank acceptance bills	Ternary battery	1,030
Customer S (Note 7)	78,678	2.8%	A limited liability company specializing in the distribution of lithium-ion batteries	Three years	100% prepayment	Wire transfer	LFP battery	18
Customer Q (Note 8)	47,817	1.7%	A company listed on the Shanghai Stock Exchange, mainly engaged in the production and sales of commercial vehicles	Six years	Payment within 60 days after billing	Wire transfer or bank acceptance bills	LFP battery, Ternary battery	717.05
Total	<u>2,352,767</u>	<u>83.2%</u>						

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For the year ended December 31, 2019

Customer ^{Note 12}	Revenue contribution (RMB'000)	Percentage of total revenue for the corresponding period	Company background	Length of relationship	Credit Term	Payment Method	Products sold by our Group	Registered capital/ Issued share capital (RMB in millions)
Customer C (Note 2)	686,371	39.6%	A listed company on the Shenzhen Stock Exchange, specializing in the production of passenger vehicles, minivans, commercial vans and light trucks	Four years	Payment within 60 days after billing	Bank acceptance bills	Ternary battery	4,802.65
Customer G (Note 3)	461,189	26.6%	A dual-listed company on the Stock Exchange and the Shanghai Stock Exchange, specializing in the manufacturing and sales of passenger vehicles and commercial vehicles	Four years	Payment in advance: 50% Payment within 15 days on receipt of goods: 50%	Wire transfer	Ternary battery	10,232.50
Luoyang Company (Note 1)	117,392	6.8%	A limited liability company engaged in the research, production, sales and market application development of lithium-ion EV batteries, battery management systems (BMS), energy storage batteries and related integrated products and lithium battery-related materials	Four years	Payment on a quarterly basis	Wire transfer	LFP battery, Ternary battery, Raw material	990.87
Customer P (Note 4)	71,161	4.1%	A limited liability company specializing in the production of high-voltage, extra-high voltage and ultra-high voltage switchgears	Four years	Payment in advance: 5% Payment on delivery: 80% Warranty payment in 365 days after delivery: 15%	Bank acceptance bills	LFP battery	3,910.31
Customer T (Note 5)	62,394	3.6%	A company listed on the Shanghai Stock Exchange, specializing in the R&D, manufacturing and sales of automobiles, engines and related accessories	Three years	Payment within 60 days after receipt of invoice	Bank acceptance bills	LFP battery, Ternary battery	1,355.50
Total	1,398,507	80.7%						

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Notes:

1. Prior to our acquisition of Luoyang Company, a connected person of our Company in 2019, we sold a batch of battery materials to it, thus resulting in it being one of our top five customers for 2019.
2. Customer C is a state-owned company incorporated in Chongqing in October 1996. Based on the publicly available information and to the best knowledge and latest understanding of our Directors, Customer C's total asset amounted to approximately RMB135.4 billion as of December 31, 2021.
3. Customer G is a state-owned company incorporated in Guangzhou, Guangdong Province in June 1997. Based on the publicly available information and to the best knowledge and latest understanding of our Directors, Customer G's total asset amounted to approximately RMB154.3 billion as of December 31, 2021.
4. Customer P is a state-owned company incorporated in Pingdingshan, Henan Province in December 1996. Based on the publicly available information and to the best knowledge and latest understanding of our Directors, Customer P's total asset amounted to approximately RMB31.3 billion as of December 31, 2021.
5. Customer T is a private company incorporated in Chongqing in May 2007. Based on the publicly available information and to the best knowledge and latest understanding of our Directors, Customer T's total asset amounted to approximately RMB32.0 billion as of December 31, 2021.
6. Customer O is a private company incorporated in Ningbo, Zhejiang Province in March 2003. Based on the publicly available information and to the best knowledge and latest understanding of our Directors, Customer O's total asset amounted to approximately RMB518.2 billion as of December 31, 2021.
7. Customer S is a private company incorporated in Nanjing, Jiangsu Province in December 2018. Based on the publicly available information and to the best knowledge and latest understanding of our Directors, Customer S had not more than 50 employees as of December 31, 2021.
8. Customer Q is a private company incorporated in Xiamen, Fujian Province in October 1996. Based on the publicly available information and to the best knowledge and latest understanding of our Directors, Customer Q's total asset amounted to approximately RMB26.1 billion as of December 31, 2021.
9. Customer X is a private company incorporated in Guangzhou, Guangdong Province in May 2016. Based on the publicly available information and to the best knowledge and latest understanding of our Directors, Customer X's total asset amounted to approximately RMB65.7 billion as of December 31, 2021.
10. Customer M is a private company incorporated in Hefei, Anhui Province in April 2010. Based on the publicly available information and to the best knowledge and latest understanding of our Directors, Customer M had over 200 employees as of December 31, 2021.
11. Customer L is a private company incorporated in Jinhua, Zhejiang Province in January 2017. Based on publicly available information and to the best knowledge and latest understanding of our Directors, Customer L's total asset amounted to approximately RMB12.5 billion as of December 31, 2021.
12. The Company has made written request to the customer for its consent to disclose its identity in this document. As at the Latest Practicable Date, no consent has been provided. We choose not to disclose names due to customer preference and confidentiality.

Aside from Luoyang Company, none of our Directors, their respective close associates, or any of our current Shareholders who, to the best knowledge of our Directors, owns more than 5% of our share capital or of any of our subsidiaries, has any interest in any of our five largest customers.

Customer Concentration

Our relationship with Customer G is based on mutual achievement and win-win. Close cooperation between NEV manufacturers and EV battery suppliers whereby both parties are committed to establishing a stable supply relationship is an industry norm. It is an industry norm for EV battery manufacturers to derive substantial portion of its revenue from one of its major customers, especially in the early stage of the company, when it has limited production capacity. Other major players in our industry also derived a substantial portion of its sales revenue from major customers at the beginning of their operations. In addition, NEV manufacturers often maintain cooperative relationships with diverse suppliers to ensure the stability of the supply chain, however, we as the main supplier of many NEV manufactures, is expected to maintain strong cooperation relationship with its customers in the long run. The revenue contributed by Customer G accounted for approximately 26.6%, 55.1%, 51.9% and 31.0% of our total revenue for the years ended 31 December 2019, 2020, 2021 and the three months ended March 31, 2022, respectively. This generally resulted from that (i) our production capacity (as compared to now) was relatively limited when we commenced our cooperation with Customer G, so that we adopted a key customer strategy with a business focus, which we believe, could better match our resource invested with the customers' needs; (ii) Customer G is a leading NEV manufacturer with stringent requirements on product performance, safety performance, production capabilities, and our advanced technology and product competitiveness can meet its high standards. This is a core factor behind our close collaboration with Customer G; and (iii) we chose to centralize production capacity and closely cooperate with leading NEVs to provide high-quality products and efficient services, maximizing our production and operating efficiency. With rapid growth of NEV sales from Customer G year by year, we have sold more EV battery products by virtue of our continuous product strength and expanding production capacity, and gradually formed larger-scale sales, which facilitated us to further reduce production and sales cost during the Track Record Period and in the future.

We had become the largest EV battery supplier for Customer G during the Track Record Period, which comprehensively reflect our continuously superior product quality, ability to supply to all models and advanced R&D and production capabilities. Such mutually beneficial cooperation helps customers establish their position in the NEV market, and also enhances our reputation and builds brand awareness, which not only forms loyalty from our existing customers, but also helps us develop new customers and provide better service to other customers in the future.

Our Directors consider that, although the revenue from Customer G was relatively concentrated during the Track Record Period, our Group's business model is still sustainable, because (i) our relationship with Customer G is unlikely to be materially deteriorate or terminate; and (ii) with the rapid expansion of our production capacity, we are continuously introducing new high-quality NEV manufacturers to further diversify our customer composition.

As a leading enterprise in the EV battery industry, we have excellent technology research and development capabilities, which can meet the technological needs of new vehicle models, and thus have advantages in developing new customers and benefiting from market development. Concurrent with our successful engagement of new customers, our Directors believe that it is unlikely that there will be a material adverse change in or termination of our relationship with the relevant customers for the following reasons:

1. Mutual Benefits with Customer G

During the Track Record Period, we cooperated closely with Customer G to develop and design new products. We have created a synergy cycle with Customer G. We benefit from the increased efficiency that results from working closely with our key customers as we can better understand their needs and work towards achieving the desired results in a more efficient and cost-effective manner. Through long-term cooperation, we have become the main EV battery supplier of Customer G. Our Directors believe that, we have mutual beneficial relationship with Customer G based on the following:

We are the major EV battery supplier of Customer G and a strategic partner for all its vehicle models, and was instrumental in its rapid development in the field of NEVs in recent years. For the years ended December 31, 2019, 2020, 2021 and the three months ended 31 March 2022, purchase amount by Customer G was RMB461.2 million, RMB1,557.5 million, RMB3,537.1 million and RMB1,207.6 million respectively. According to our agreement with Customer G, Customer G promises to give us the priority to participate in the development of its new products, and we promise to cooperate with the R&D center of Customer G to develop new products in the product design and development stage according to the requirements of Customer G. Our future cooperation with Customer G will not only include joint product development, but also will be extended to cover a wide range of aspects such as brand promotion, product marketing, technology upgrade, quality control, customer service and talent training.

Our mutual achievement and win-win with Customer G are reflected in various aspects. Since our cooperation in 2019, the sales of the four vehicle models under the cooperation between the two parties has increased significantly. For the years ended 31 December 2020 and 2021, the sales of the four vehicle models (calculated by the number of NEVs sold) increased by 192% and 137%, respectively. Our installed capacity to Customer G increased from 590.4 MWh in 2019 to 5.09 GWh in 2021, and the number of NEV models for which we supply products has increased to seven, covering all of their NEV models prevailing in the market now. We had become the largest battery supplier for NEVs of Customer G during the Track

Record Period, and our penetration rate to Customer G was 34.4%, 61.6%, 65.9% and 46.3% for the years ended December 31, 2019, 2020 and 2021 and for the three months ended March 31, 2022, respectively. The slight decrease in our penetration rate to Customer G for the three months ended March 31, 2022 compared to for the year ended December 31, 2021 is due to our success in expanding our customer base, including supplying to additional leading NEV manufacturers, such as Customer X and Customer L. For the three months ended 31 March, 2022, we achieved year-on-year and quarter-on-quarter growth in sales to Customer G. While our sales volume increased period-on-period, our release of newly-added production capacity is insufficient to fulfill all the increased customers' demand. To continue serving the existing customers and the diversified customer base, we allocated the production capacity to serve part of the increased demand of Customer G while also serving the new customers. As the Group's increase in sales volume of EV battery to Customer G is proportionally less than Customer G's increase in demand for EV battery, there is a temporary decrease in penetration rate with Customer G. We expect our sales to relevant customers to continue to grow and penetration rate with the relevant customers to rapidly increase as we expand our production capacity. We believe this can demonstrate that we not only have a strong and stable cooperative relationship with Customer G, but also are an important partner for its rapid development.

Penetration rate of an individual customer's vehicle model is a better indicator of relationship between the Group and the customer than total sales to such customer because penetration rate involves the total installed capacity of the relevant customer's product, and total installed capacity is a more accurate reflection of the relevance (in terms of application/market acceptance) of the customer's product. According to Frost & Sullivan, a high penetration rate^{Note} between a NEV manufacturer and a EV battery manufacturer represents a stable supply and demand relationship between the relevant parties. Our penetration rate with Customer G is illustrative of our solid collaborative relationship with such customer. In addition, we were the only EV battery manufacturer being awarded the "Excellent New Energy Supplier" by Customer G for the year ended 31 December 2021. We believe that these awards represent recognition of our strength in product development and customer service, and all the related parties will benefit from the cooperation.

Note: The penetration rate of a single vehicle model is the total battery capacity of our products on that vehicle model divided by the total battery capacity of that vehicle model (i.e., the total installed capacity of our products on that vehicle model divided by the sales volume of that vehicle model and the installed capacity per vehicle). The penetration rate of a model series is the total installed capacity of our products in all models of the series divided by the total sales volume of the series and the installed capacity of each vehicle.

2. Customer Diversification and Ability to Develop New Customers

Our ability to successfully develop and deliver quality products has been demonstrated in our cooperation with the aforesaid customers. On the basis of solid cooperation with the aforesaid key customers, we have also sought and successfully developed new customers and expanded our high-quality customer base. In 2021, we established business relationships with the “new force” of NEVs in the market (i.e. emerging enterprise brands of NEVs in China), including Customer X (according to Frost & Sullivan, it ranked first among new force vehicle enterprises in China throughout 2021 in terms of the total delivery volume) and Customer L (according to Frost & Sullivan, it ranked sixth among new force vehicle enterprises in China throughout 2021 in terms of the total delivery volume). We also seek to developing other NEV manufacturers as our customers. In terms of installed capacity, our sales to Customer X increased from approximately 0.06GWh in October 2021 to approximately 0.48GWh in March 2022, with our accumulated installed capacity to Customer X reaching approximately 1.25GWh for the three months ended March 31, 2022. We have supplied to all models of Customer X with our penetration rate with Customer X reaching 48.9% for the three months ended March 31, 2022. During the same period, our accumulated installed capacity to Customer L reached approximately 566MWh and our penetration rate of Customer L was approximately 49.0%.

Our efforts in developing new customers have yielded significant results during the Track Record Period. The following table sets forth details of the number of new customers (except for Customer G) in the passenger vehicle segment and their corresponding revenue contribution during the Track Record Period:

	Years Ended December 31,		
	2019	2020	2021
Number of New Customers	3	9	18
Revenue contribution from New Customers procured in 2019 for the Corresponding Year (in RMB million)	61.31	89.06	23.66
Revenue contribution from New Customers procured in 2020 for the Corresponding Year (in RMB million)	–	27.53	360.72
Revenue contribution from New Customers procured in 2021 for the Corresponding Year (in RMB million)	–	–	835.92

While our revenue continues to grow rapidly during the Track Record Period, we have successfully diversified our customer base and built collaborative relationships with a larger number of customers. For the three months ended March 31, 2022, our revenue contribution from Customer G constituted 31.0% of our total revenue for the same period. Such result is materially lower than the proportion of revenue that we derived from Customer G (which was 26.6%, 55.1% and 51.9% for the years ended December 31, 2019, 2020 and 2021, respectively). And our sales to Customer X and Customer L constituted 39.5% of our total revenue for the same period which is materially higher than the proportion of revenue that we derived from these two customers in 2021 (which was approximately 12.2%). With the continuous release of our production capacity, we continue to adhere to the key customer strategy and focus on the expansion of customer base in terms of breadth and depth to support our rapid growth.

3. Costs and Barriers for Replacing EV Battery Suppliers

EV batteries are the core components of NEVs, and the number of large-scale EV battery suppliers with technical capabilities to meet the needs of NEV manufacturers is limited. Therefore, the relationship between NEV manufacturers and EV battery suppliers is generally stable for the following reasons:

NEV manufacturers and EV battery suppliers jointly invest a significant amount of capital, time and manpower to design EV batteries for designated NEV models. According to Frost & Sullivan, it usually takes 12-18 months for an EV battery supplier to meet its customer's requirements for the production of EV batteries for a NEV model, while it usually takes about 12 months to complete the change of an EV battery supplier for an existing NEV model. To switch from an existing battery supplier to a new one, NEV manufacturers need to go through a series of business processes and engineering works, including business contract negotiation, product technical review, plan making, sample manufacturing, sample products testing, supplier factory site audits, construction for production site, production permits and vehicle testing. NEV manufacturers have to engage multiple departments to support the completion of these tasks. The aforementioned represents the costs NEV manufacturers need to incur to change its battery suppliers. However, the exact amount of such cost depends on the specific requirements of the NEV manufacturers, EV model, the technical capability of the battery supplier, and the urgency of the supplier switching, so the cost may vary significantly. Moreover, the recent short supply of EV batteries in the NEV market has resulted in a huge demand for EV batteries from NEV manufacturers, especially for quality EV battery products. Meanwhile, only a few NEV battery manufacturers (which include us), are capable of meeting the wholesome demand of the aforesaid NEV manufacturers in terms of quality products, delivery scale and supporting capacity for multiple NEV models. For instance, our installed capacity for Customer G in 2021 reached 5.09 GWh. The EV battery market is highly concentrated, whereby top three EV battery manufacturers occupy 74.2% of the totally installed capacity in China in 2021. And there are approximately ten EV battery suppliers with the technical capability to meet the needs of NEV manufacturers and the capacity for large scale mass production. Based on the above, it takes substantial time and costs to replace an EV battery supplier, and the other EV battery supplier cannot guarantee that it will be able to offer products that can replace ours in a timely manner, or at all.

EV batteries directly affect NEV's performance and safety. The failure of EV batteries will directly lead to the failure of NEVs and give rise to safety risks. Therefore, NEV manufacturers must go through a series of process audits, product verifications and tests to cooperate with new battery suppliers. As a result, NEV manufacturers are very cautious about switching suppliers, and suppliers with well-proven products who have been in the industry for many years are trusted by customers. Our successful delivery for mass produced products to the existing customers has fully demonstrated our comprehensive strength, which is more conducive to our rapid expansion and acquisition of new customers.

The NEV market is relatively centralized. The annual cumulative sales of the top ten global brands in 2021 accounted for approximately 57% of the total sales of NEVs. In the PRC market, the annual cumulative sales of the top ten brands in 2021 accounted for approximately 63% of the total sales. Leading EV battery manufacturers (such as us) can dominate the market by virtue of their ability to support all vehicle models and their ability and experience in mass production and delivery. In addition, the supply of EV batteries in the NEV market has been tight recently, and the NEV manufacturers has a huge demand for EV batteries, especially for high-quality EV battery products. Our track record demonstrates that we have achieved remarkable results in serving existing customers and developing new ones. Therefore, we believe that an increasing number of NEV manufacturers are recognizing high-quality suppliers like us, and we will continue to benefit from the rapid development of the market.

Business Sustainability

During the Track Record Period, we recorded a net loss of approximately RMB156.4 million and RMB18.3 million for the years ended December 31, 2019 and 2020, respectively, which turned into net profit of RMB111.5 million for the year ended December 31, 2021. The loss in 2019 and 2020 was mainly due to: (i) in order to maintain product competitiveness and establish a leading position in technology, we incurred significant expenditures in research and development investment. For the years ended December 31, 2019, 2020 and 2021, our R&D expenses were RMB135.9 million, RMB202.0 million and RMB285.3 million, respectively; and (ii) economies of scale has not yet fully materialized. Our production capacity was 2.97GWh, 3.78GWh and 11.90GWh, respectively for the years ended December 31, 2019, 2020 and 2021, representing a CAGR of 100.7% during the Track Record Period, which shows that the economies of scale is realizing. We are still expanding our production capacity to meet customer demand. For the years end December 31, 2022 and 2023, our expected production capacity was approximately 35GWh^{Note 1} and 90GWh^{Note 1}, respectively.

At the same time, we experienced rapid growth in terms of production volume, sales volume and revenue during the Track Record Period. For instance, our total revenue increased from RMB1,733.8 million in 2019 to RMB6,817.1 million in 2021, representing a CAGR of 98.3% from 2019 to 2021. Our sales volume of EV battery products increased from 1.62GWh in 2019 to 9.31GWh in 2021, representing a CAGR of 139.7% from 2019 to 2021. Historical performance and ongoing rapid development of our business provides a foreseeable path toward profitability.

Our financial performance during the Track Record Period had been largely affected by government grants and subsidies, gain on disposal of a subsidiary and impairment loss on investment in associate.

Note 1: Including 5GWh effective production capacity of the Luoyang Company under the entrusted processing arrangement if such entrustment arrangement is adopted.

Investment and Market Trend

Development of EV batteries is a complex and systematic project, involving product design, performance verification, manufacturing process development and quality planning of systems at all levels from battery cells to vehicle testing. The long development cycle causes EV battery suppliers to incur substantial cost, which is the industry norm. Also, according to Frost & Sullivan, it generally takes 18-24 months to develop an EV battery for an NEV model, thus there's a time lag between initial product R&D and commercial mass production of such products to recognize revenue. We incurred substantial construction cost and it takes in general 18-24 months to construct production bases before the production bases can start to manufacture and for us to start generating revenue. At the same time, we shifted our strategic focus into the EV passenger vehicle market prior to the Track Record Period. Prior to the implementation of such plan, our principal business was production of LFP batteries for commercial NEVs. At the initial stage of the implementation of such plan, we incurred substantial early investment but did not generate substantial income. However, our investment is made for future development, that is, not only satisfying our customers' current needs, but also laying a solid foundation for the iteration and upgrading of our technology, the continuous release of production capacity and the rapid growth of our business.

Commitment to R&D and Investment in Production Capacity

Based on our understanding and experience on the development of the NEV industry, we conducted an in-depth review of our Group's strategic planning and made forward-looking research and judgment in 2018. Our Directors believe that the new energy passenger vehicle market was in the early stage of the industry prosperity in 2018 with huge market potential. This is mainly because (i) in the context of carbon neutrality, the new energy passenger vehicle market will inevitably benefit from the national and even global new energy advocacy; (ii) the passenger vehicle market is the main market of the entire automobile industry, whereby in China 86% of the EV batteries (in terms of installed capacity) were installed on passenger vehicles in 2021, and the penetration rate of new energy passenger vehicles is still relatively low, which in turn leaves great market space and incremental value; (iii) the new energy passenger vehicle market is characterized by high technical barriers and market entry barriers, and relatively high customer loyalty. As one of the earliest enterprises engaged in EV batteries in China, we have profound technical and R&D ability, thereby enabling us to quickly realize the transformation of R&D investment into product delivery and better providing high-quality services and support to customers in the passenger car market.

On the other hand, the national subsidy policy refers to Four Ministries (i.e. Ministry of Finance, Ministry of Industry and Information Technology, Ministry of Science and Technology, National Development and Reform Commission) of the PRC announced the *Adjusting and Improving the Financial Subsidy Policy for the Promotion and Application of New Energy Vehicles* (關於調整完善新能源汽車推廣應用財政補貼政策的通知) respectively in 2018 and 2019. Each new energy passenger vehicle will be subsidized based on the energy density of its battery and driving range according to subsidy policies. For example, the subsidy policy relating to driving range between 2018 and 2019 is compared as below table.

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	150≤R<200	200≤R<250	250≤R<300	300≤R<400	R≥400
Subsidy policy of 2018 (RMB)	15,000	24,000	34,000	45,000	50,000
Subsidy policy of 2019 (RMB)	–	–	18,000	18,000	25,000

Note: R refers to the driving range of NEVs in terms of km.

As the threshold of indicators including the energy density of EV batteries and the driving range of NEV passenger vehicles has been raised after 2018 due to the national NEV subsidy policy, we have become more committed to the transition path of EV batteries with high energy density. As a result, we made a strategic decision to focus on higher energy density ternary batteries, and successfully launched high-voltage ternary battery products. According to Frost & Sullivan, the penetration rate of NEVs in China's total passenger vehicles increased from 4.9% in 2019 to 6.2% in 2020 and reached to 15.5% in 2021. During the same period, the sales volume of the passenger NEV market in China was 1,061 thousand units, 1,245 thousand units and 3,334 thousand units, respectively. In addition, during the period from 2019 to 2021, the installed capacity of ternary batteries has increased significantly due to its outstanding advantage in high energy density. The installed capacity of ternary batteries in China market increased from 40.5GWh in 2019 to 74.4GWh in 2021. The above figures also prove that our strategic decision of taking the passenger NEV market as the transformation direction, and of launching higher energy density ternary batteries is prospective and correct.

In addition, we have also incurred significant expenses in the R&D and delivery of ternary batteries during our strategic transformation. We have incurred certain expenses in materials, which is mainly due to the difference between ternary batteries and LFP batteries in cathode materials. In general, according to different cathode materials, ternary batteries refer to batteries whose cathodes are mainly composed of nickel, cobalt and manganese, while LFP batteries use lithium iron phosphate as the cathode material. In addition, ternary batteries tend to have higher energy density, higher charging efficiency and better low temperature adaptability, while LFP batteries have relatively better safety performance and lower material costs. In addition to the changes in the material system, we have also made major innovations in the system structure and manufacturing technology of the batteries, and have successfully launched representative products such as the “magazine” battery and the all tab laminated battery. During the strategic transformation, our research and development expenses increased by 6% from approximately RMB147.9 million for the year ended December 31, 2017 to approximately RMB156.9 million for the year ended December 31, 2018. As (i) our strategic transformation commenced in the second half of 2018; and (ii) the early stage of strategic transformation involved more planning of R&D (mainly for development of ternary cathode materials, ternary cells and standard VDA modules) instead of implementation, there was a relatively limited increase in R&D expense in 2018 (when compared against 2017).

Although we have accumulated extensive experience in the production of LFP batteries for the commercial vehicle market, we still incurred a large amount of upfront investment and a long production cycle during the transformation to the production of ternary batteries, which was mainly due to (i) we have changed the specifications of our ternary battery products, where the product specifications are different from those of LFP batteries in the commercial vehicle market produced before the transformation, so that the relevant production lines and equipment involved requires a longer period of transformation (6 months to 12 months); (ii) in the process of construction of new production lines, we usually conduct development and verification of relevant product specifications, which includes a series of steps such as product research and development, customer development and product verification (industry average of 12 months); and (iii) it generally takes 18 to 24 months for us to build our production bases, mainly including the construction of new plants.

Prior to the strategic transformation, we primarily sold LFP batteries that are applied to commercial NEVs. Following our strategic transformation, our production capacity and sales volume of ternary batteries for passenger NEVs increased, which resulted in a significant increase in the cost of ternary materials as a percentage of the total cost of sales in our cost structure in 2019. Such increase was a result of an increase in sales volume of our ternary battery products. At the same time, the average unit cost of our products decreased in 2019 due to the further release of our production capacity and advancement of production process and technology.

In addition, during the initial stage of our strategic transformation to the passenger NEV market, we invested heavily in the renovation/upgrade of our production facilities and construction of new production lines to expand our production capacity. At the initial stages, we did not fully benefit from the economies of scale of such expansion. But as our production capacity increased, we began to benefit from economies of scale as illustrated by the decrease in our manufacturing expense per Wh^{Note 2} sold from RMB0.15/Wh in 2019, RMB0.10/Wh in 2020 and RMB0.07/Wh in 2021 then increased to RMB0.09/Wh for the three months ended March 31, 2022, and the decrease in our direct labor cost per Wh^{Note 3} from RMB0.05/Wh in 2019, RMB0.03/Wh in 2020, RMB0.02/Wh in 2021, and RMB0.03/Wh for the three months ended March 31, 2022. Our raw material cost per Wh decreased from RMB0.68/Wh in 2019 to RMB0.42/Wh in 2020, and increased to RMB0.52/Wh in 2021, and further increased to RMB0.62/Wh for the three months ended March 31, 2022. In addition, our operating expenses^{Note 4} as a percentage of revenue decreased from 23.5% for the year ended December 31, 2019 to 20.7% for the year ended December 31, 2020, decreased to 12.9% for the year ended December 31, 2021, and further decreased to 9.8% for the three months ended March 31, 2022.

Note 2: Manufacturing expense per Wh is calculated based on manufacturing expense that excluded any raw material costs divided by the sales volume.

Note 3: Direct labour cost per Wh is calculated based on direct labour cost divided by the sales volume.

Note 4: Operating expenses include selling expenses, administrative expenses, research and development expenses and finance costs.

On the other hand, our technological advancement and product competitiveness give us strong market position, and we expect to benefit from our competitive strengths and rapid market development and remain profitable continuously. After shifting our strategic focus into passenger NEVs, we focused on the passenger vehicle market with accumulated R&D experience and launched competitive products, such as a new differentiated high-voltage NCM product, which has high energy density, long battery life and excellent safety features. In 2019, we successfully delivered these products to Customer G and Customer C, and installed such products in the major vehicle models of these customers.

As a result, after the strategic transformation, we benefited from our strategic new high-voltage NCM products, the rapid growth of passenger NEV market and the gradual emergence of economies of scale, which strengthened our profitability.

R&D

Our investments in R&D resulted in development of products that have been widely adopted, including our high-voltage NCM product, from which we recorded operating revenue of RMB9.1 billion from 2019 to 2021, accounting for 80% of total revenue of the Company. Moreover, we are the first to introduce the battery of “One-stop Bettery” with the minimalist structure to save cost and increase profitability of the Company. With our commitment to research and development of technically advanced products, we are confident that we shall be able to continue to introduce products that are strongly demanded by the market.

Economy of Scale

Our investments in R&D and expansion of production capacity take time to realise revenue and in turn generate profit. Although our production capacity is currently limited, we focus on future growth and will continue to invest heavily in research and development. In addition, we are investing heavily in future development and will be able to benefit from a higher level of economy of scale as time goes by when our capacity is released, as illustrated by the decrease in manufacturing expense per Wh^{Note 1} sold from RMB0.15/Wh in 2019, RMB0.10/Wh in 2020, to RMB0.07/Wh in 2021, and the decrease in our direct labor cost per Wh^{Note 2} from RMB0.05/Wh in 2019, RMB0.03/Wh in 2020 to RMB0.02/Wh in 2021. In addition, our operating expenses^{Note 3} as a percentage of revenue decreased from 23.5% for the year ended December 31, 2019 to 20.7% for the year ended December 31, 2020, and further decreased to 13.0% for the year ended December 31, 2021. As we expect our effective production capacity to expand to approximately 35GWh^{Note 4} and approximately 90GWh^{Note 4} in 2022 and 2023, respectively, the effects of economies of scale will further materialize along with our expansion.

Note 1: Manufacturing expense per Wh is calculated based on manufacturing expense that excluded any raw material costs divided by the sales volume.

Note 2: Direct labour cost per Wh is calculated based on direct labour cost divided by the sales volume.

Note 3: Operating expenses include selling expenses, administrative expenses, research and development expenses and finance costs.

Note 4: Including 5GWh effective production capacity of the Luoyang Company under the entrusted processing arrangement if such entrustment arrangement is adopted.

Cost Control and Price Adjustment Measures

Our effective cost control measures include (i) with the further enhancement of our product research and development capabilities, we continue to optimize product design and improve product performance, and use standardized production, so as to realize cost reduction of products. For example, the “One-stop Bettery” we introduced, realizes cost reduction in raw materials and production efficiency improvement; (ii) maintaining leading technological innovation capabilities, we provide competitive product solutions to meet market demand, and achieve in-depth strategic cooperation with customers to improve bargaining power; (iii) through the deployment of upstream core materials, we conduct strategic cooperation and joint development with suppliers to leverage the suppliers’ resource pool and reduce the cost of material procurement, and enter into strategic agreements and long-term orders for materials with substantial market price fluctuations to obtain advantageous prices; and (iv) while further expanding the production capacity and improving production process and reducing costs through large-scale operation, we strengthen internal cost management and strictly control budget to reduce unnecessary expenditures. In addition, we adopt the strategy of locking orders (order locking refers to placing orders in relatively low market prices) in order to obtain more competitive prices in response to the expected phased increase in the prices of some raw materials. We have a deep understanding and grasp of the price of upstream raw materials that are relevant to us since we are deeply engaged in this industry and have a good relationship with upstream raw material suppliers. This allows us to engage in friendly negotiations with suppliers to secure relevant raw materials at relatively low price, particularly when we predict that this is highly probable that the raw material price will increase in the near-term (i.e. we will not enter into locking orders when we foresee the raw material price to drop). Moreover, as raw material prices may be subject to substantial changes and its long-term price may be harder to estimate, we only enter into the aforementioned arrangement for the short term (generally, no longer than six-months). Please see the section headed “Risk Factors – We may be subject to the adverse impact of raw material price changes in association with our order locking of raw materials.”

At the same time, in order to actively cope with the rapid rise of upstream raw materials prices and safeguard our own reasonable profit, we commenced to implement pricing adjustment mechanisms in the first quarter of 2022 to adjust the selling price of EV battery products in response to the rise in upstream raw materials prices. Our price adjustment mechanism allows us to effectively increase our sales price to meet changes in our cost, which includes rise in our raw material price, including Lithium, Nickel, Cobalt etc. Such adjustment, in turn, protects our profitability. Our average selling price for ternary battery and LFP battery increased from 0.64 RMB/Wh and 0.60 RMB/Wh for the year ended December 31, 2021 to 0.83 RMB/Wh and 0.69 RMB/Wh for the three months ended March 31, 2022, respectively. When establishing the price adjustment measures with our customers, we would take into account various factors, including relevant product specifications, sales volumes, long-term strategic partnerships and the extent of changes in the prices of relevant raw materials, and establish price adjustment measures in consultation with relevant customers. Our price adjustment clauses vary from contract to contract but are

generally triggered when certain cost component exceeds a pre-determined threshold. As of the Latest Practicable Date, we have entered into agreements that include price adjustment mechanisms with over 40 customers. Such customers contribute to approximately 97% of our total revenue for the three months ended 31 March, 2022. When the prices of certain raw materials experience significant phased increases, our price adjustment measures enable us to adjust our selling prices to mitigate the adverse impact of such cost increases on our profitability. In addition, based on the above-mentioned price adjustment mechanism, our price adjustment can cover the increased costs associated with the phased increase in raw material prices, which in turn supports our profitability.

Market demand

During the Track Record Period, the width and depth of our customers was increasing. With the release of our production capacity, we can serve more high-quality customers. While deepening our cooperation with existing customers, we had successfully established and developed business relationships with certain new passenger vehicle customers. See “Customer Concentration – 2. Customer Diversification and Ability to Develop New Customers” in this section for further details of the number of our new customers (except for Customer G) and their corresponding revenue contribution.

We carried out mass deliveries of our high-voltage fast-charging batteries for the global models of a world-renowned German automobile manufacturer since June 2022. In addition, we plan to start mass deliveries for the global models of another international auto manufacturer in the fourth quarter of 2022. According to Frost & Sullivan, our major customers and new customers continued to show strong growth trends. We have well maintained customer loyalty as evidenced by us becoming the main suppliers of our major customers, such as Customer G, Customer C, Customer X and Customer L, which is creating a steady stream of market demand for us. As of June 30, 2022, our penetration rate for Customer G, Customer C, Customer X and Customer L was approximately 44%, 20%, 52% and 30%, respectively. Although our sales volume increased period-on-period, release of newly-added production capacity cannot completely meet the customers’ demand, resulting in temporary decrease in penetration rates of some customers. However, following the continuous release of production capacity, our penetration rate with the relevant customers is expected to quickly increase. At the same time, our utilization has remained near full capacity during the Track Record Period. In order to meet the growing needs of customers, we will continue to rapidly expand production, and we will continue to maintain utilization close to full capacity in the future.

EV batteries are a core component of NEVs, and NEV manufacturers select EV battery suppliers based primarily on features that include product quality and safety. Our products, which have reached industry leading standards in terms of energy density and safety, are well positioned to meet market needs.

Energy Density

We have industry leading high-voltage ternary battery products, and our Square battery cells launched in 2021 have the energy density of up to 280Wh/kg and a battery system with the energy density of up to 225Wh/kg, far exceeding the industry average. The product was also successfully installed first in relevant customer models in China and achieved a long driving range of 800km, laying a solid foundation for meeting market demands for a longer driving range.

We are also a leading EV battery producer to manufacture medium-nickel 5 series batteries with an energy density that could parallel that of the high-nickel 8 series batteries. As lower nickel utilization allows for less chance of overheating and thus better safety, through the development of such product we managed to elevate the energy density and safety of our product concurrently, and at the same time, enhancing the utilization of lithium and nickel.

In addition, our innovative capability allowed us to develop a series of innovative core technologies to elevate the energy density, including (i) the “One-stop minimalist ultra-thin shell technology” which increases energy density by around 7%; and (ii) the “lean liquid” technology which reduces the amount of electrolyte injected on the basis of reducing electrolyte consumption and increasing energy density (coupled with thick electrode technology) by around 8%, and enabled us to develop and manufacture new EV batteries.

Safety

While improving our product performance, we also ensure that our products are of highest safety level. Our ternary battery pack products passed the nail penetration and heat diffusion test^{Note} by China Automotive Technology and Research Center Co., Ltd. (“CATRC”), a science research institute established to meet China’s need of managing automotive industry. We are one of the only two, and the first, EV battery companies to have passed the ternary battery nail penetration test. Thermal runaway^{Note} is the biggest challenge that faces the industry, and nail penetration test is one of the most stringent safety performance tests for thermal runaway^{Note} in EV battery. Our “magazine battery” is the first ternary battery system product to pass the nail penetration test which further demonstrates the superior safety of our EV batteries.

We have successfully undertaken the national high-tech R&D programs (“863 Program”) projects, including the technology development projects of functional diaphragm for high-safety EV battery, which improved the safety performance of lithium-ion batteries. We have obtained various quality/testing certifications, including IATF16949 certification, ISO9001 certified by the Quality Assurance Centre of China

Note: Thermal runaway refers to the phenomenon that the battery temperature rises uncontrollably due to the exothermic chain reaction of the battery cell.

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Association for Quality and China's mandatory inspection certification. In addition, during the Track Record Period and up to the Latest Practicable Date, (i) we had not received any material complaints relating to product quality; and (ii) we had not experienced any product recalls or fatal accidents due to product defects.

The strength of our product capabilities, in particular the industry leading energy density and safety features, has helped us expand rapidly during the Track Record Period and will well position us to capture the market demand.

The following table sets forth details of the movement of our battery models for the years and periods indicated.

	As of December 31,			As of
	2019	2020	2021	March 31, 2022
Total	<u>9</u>	<u>11</u>	<u>17</u>	<u>15</u>

During the Track Record Period, the total number of our battery models increased from 9 for the year ended December 31, 2019 to 11 for the year ended December 31, 2020, and further increased to 17 for the year ended December 31, 2021. Such increase was largely correlated with our rapid business growth and increased customer base, which is an evidence of our strong product capability. We also note that there is no absolute correlation between the number of battery models and revenue/business prospects. It is possible for an entity to derive more revenue than another with a smaller portfolio of battery models, and vice versa.

With our advanced technological strength, continuously expanding production capacity and effective cost control measures, coupled with the growing market demand for our quality products, we believe our business will continue to grow and we will be able to continually strengthen our profitability.

Sales Contract

We enter into long-term sales agreement, sales agreement or online purchase order with our customers.

Our sales agreements with customers contain similar terms, although the specific content varies, it usually includes the following key terms:

- **Duration.** Generally one year.
- **Inspection.** Since our business also involves the development of products and technologies for customers, we usually set relevant technical standard clauses in the sales contract. According to such clauses, we officially produce and sell our products after the customer checks and confirms that the product development technology is satisfactory.
- **Price.** We specify the price of each product and service provided to customers in the framework sales contract, including product price, development cost, trial production cost, test cost, production line construction cost, etc..
- **Joint development.** For customers that we provide product development and customization services, we assign from time to time a number of researchers with qualifications that meet the customer's requirements to the work location designated by the customer to jointly engage in product development at the research stage. Our researchers should strictly abide by the confidentiality obligations stipulated by customers.
- **Confidentiality.** We usually set confidentiality clauses in the framework sales contracts with customers, and the period of confidentiality obligations may be extended to five years after the expiration of the sales contract.
- **Ownership of intellectual property rights.** We usually require matters related to the ownership of intellectual property rights. Generally, the new intellectual property rights and related rights and interests completed independently by the each of the two parties belong to themselves respectively. All new intellectual property and related rights arising from the development and prototyping process directed by us to the other party are owned by us. And the new intellectual property rights and related rights and interests jointly developed by both parties shall be shared by both parties. Neither party shall apply for patents or other intellectual property protection for jointly owned intellectual property and related interests without the written consent of the other party. Benefits derived from jointly owned intellectual property rights shall be shared between the parties.
- **Payment term.** Due to different payment practices in different sales areas and different collection methods for different customers of our Company, our customers' payment terms vary in the sales agreements, but typically lasts for 30-90 days.

- **Delivery term.** We are usually responsible for delivering the goods to the domestic delivery location designated by the customers, and bear the risks in the delivery process. The fee of overseas transportation depends on the specified time and the destination country.
- **Warranty deposit/Warranty.** Certain sales agreements provide that a small percentage of the purchase price may be withheld by our customers as warranty deposit and released after an agreed period of time. We usually provide our NEV customers with a warranty period of no less than 8 years or no less than 120,000 kilometers (whichever comes first) in accordance with applicable regulations.

In addition to sales agreement, we may also strategically enter into long-term agreement with our customers generally for the purpose of jointly develop products in accordance with our customer's evolving needs. Our long-term agreement contains similar terms as that of the sales agreement as stated above, although each of the long-term agreement varies. We usually include terms regarding placing purchase order, delivery, inspection, price and payment, ownership of the intellectually property rights and assets used in the process of joint development, warranty, force majeure, termination, dispute resolution in our long-term customer agreement.

We closely collaborate with various customers to maintain our leading technological innovation capabilities, provide competitive product solutions so as to meet market demands and develop an in-depth strategic cooperation with customers. At the same time, we and our partners have given full play to our respective technical advantages in the process of joint development to achieve the complementary advantages in the fields of scientific research, supply chain and project development. Moreover, in certain cases, a relevant customer may specify in their sales contract or agreement with us that they will prioritise in purchasing the product jointly developed with our Company upon completion of the product R&D phase.

In the past, we entered into designated development agreements with Customer G and Customer P to jointly develop the relevant products. For Customer G, we, as the designated partner of the project under the relevant agreements, provided the design, development, production and delivery of the EV batteries technology and relevant products (including battery cells, battery modules and battery packs) for its specific vehicle models. Among which, we typically carry out products development for battery cells and battery modules independently. Meanwhile, Customer G provided us with product plans and technical support during the joint development process. Product R&D agreements normally do not include revenue distribution provision, and customers typically enter into separate sales contracts with us for the purchase of such joint R&D products. We have completed the development and delivery of the above products during the Track Record Period. For the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2022, the revenue from Customer G's procurement of relevant joint R&D products with us amounted to RMB461.2 million, RMB1,557.5 million, RMB3,537.1 million and RMB1,207.6 million, respectively.

For Customer P, we jointly carried out scientific research activities in the field of energy storage and relevant energy storage business under the relevant agreements. We, as a co-development partner, provided it with the design, development, production and delivery of the relevant energy storage products. In addition, in combination with our independently developed ESS products, we will also jointly develop related energy storage products with Customer P. At the same time, Customer P provided us with product plans during the joint development process. Product R&D agreements normally do not include revenue distribution provision, and customers typically enter into separate sales contracts with us for the purchase of such joint R&D products. We have completed the development and delivery of the above products during the Track Record Period. For the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2022, the revenue from Customer P's procurement of relevant joint R&D products with us amounted to RMB71.2 million, RMB17.8 million, RMB15.9 million and nil, respectively.

With regards to the amount of R&D expenses borne by each of the parties to the relevant R&D agreements, as such R&D agreements would state the respective responsibilities of each party, and that relevant expenses incurred for perform its responsible work should borne by that party. Thus, we have no information about the amount of R&D expenses borne by Customer G and Customer P for each of the years/periods comprising the Track Record Period.

The intellectual property refers hereinbelow shall include, but not being limited to, any technological innovations, discoveries, inventions, designs, formula, know-how, trade secrets, tests performance data and production methods created from the joint development work performed in accordance with the relevant research & development agreements (“**Intellectual Property Rights**”). Under the agreement, the new Intellectual Property Rights and related rights and interests completed independently by each of the two parties shall belong to themselves respectively. And the new Intellectual Property Rights and related rights and interests jointly developed by both parties shall be shared by both parties. For details, please refer to “Business – Intellectual Property”.

After-sale Services

We believe that timely and quality after-sale services are one of the important competitive factors, as they are directly related to customer satisfaction and help shape the customer's purchase decisions. Our after-sale services include repair, return and exchange of defective products. The services are delivered on site or by returning the defective products back to our production base. We allow product return for quality issues to maintain the reputation of our brand and the quality of products we provide to our customers. In addition to requests raised by our customers in relation to product return, exchange or repair of defective products, our customer service team also conducts customer satisfaction evaluation on a regular basis by collecting and analyzing information from our customers in respective of their satisfaction towards our services and products. Such information is used as a reference for us to improve our products and services provide to our customers, which in turn enables us to build a solid and mutually-trusting relationship with our customers. During the Track Record Period, we did not have sales return on our products.

Competition

The China EV battery market is highly competitive and concentrated and we expect that the competition will be even more competitive in the future. According to Frost & Sullivan, top ten EV battery manufacturers accounted for 92.4% of the total EV battery installed capacity in the PRC in 2021. We generally compete with other scaled EV battery manufacturers. We believe the primary competitive factors in our markets are: R&D capability and technological innovation, product safety and performance, mass production capabilities, customer service and support and corporate reputation. We believe that positive factors pertaining to our competitive position include innovative technologies, precise consumer targeting and product defining capabilities. For more details on our competitive edges, please see “Business – Overview – Competitive Edge and Achievements” in this section.

To distinguish ourselves from our competitors, we have been dedicated to the improvement of product safety and optimization of technology innovation with strategies in cooperation with our major customers. Such approach enables our R&D capabilities and speed of innovation, as well as unique capabilities to tailor make our EV batteries to cater to the evolving needs of our major customers. With our leading technology in product safety and quality, we continue to bring innovations in EV battery manufacturing, and deliver differentiated and highly safe products, which position us favorably in the competitive environment.

WAREHOUSING, LOGISTICS AND INVENTORY MANAGEMENT

We have a complete operation and management system that originates from customer needs. Our supply chain is coordinated to achieve synergy and allocation of resources amongst order placement, procurement management, product manufacturing, shipping and other processes. We have also adopted digitized management system that runs through the whole supply and delivery chain to ensure the efficient operation. At the same time, we use highly efficient smart logistics system and data system to improve operation efficiency, precise management, and achieve optimal inventory turnover efficiency.

Our well-adopted warehousing and distribution system, as supported by a smart management system, allows us to continue to timely deliver our products while managing our rapidly growing operating scale.

Warehousing

We use an information platform that integrates smart logistics systems and smart manufacturing production lines. We integrate our logistics systems with automated logistics equipment. Meanwhile, we use an industry-leading three-dimensional warehouse in the logistics field for fire protection, effectively guaranteeing the storage safety of our products. We have achieved:

- efficient coordination among warehousing, delivery and production requirements;
- a high degree of automation in the entire logistics process;
- smart monitoring and controlling of the quality status, storage environment, precise traceability and operation process of materials and finished products.

Inventory control

We implement a lean management and control model for the entire delivery chain, and formulated optimal work in progress inventory standards on rolling basis based on production line capabilities and customer needs. At the same time, with the help of the SAP information management system and data-based reporting platform, we apply scientific value stream mapping analysis method to find bottleneck points. We strive to achieve dynamic monitoring and precise management of the entire process of raw material procurement, production and work in process, finished product inventory and product shipment.

Transportation and packaging

We have an established product shipping management mechanism that covers the entire product delivery process. Driven by customer order requirements, our information system connects inventory information at various check points, and uses the Transport Management System to monitor the actual logistics delivery process in real time to achieve reliable, safe and timely delivery of products to customers. We also independently developed recyclable packaging with reliable quality and high operating efficiency, covering all types of products to be delivered, and allowing precise and efficient delivery.

INFORMATION TECHNOLOGY SYSTEMS

We believe that automation and information technology are essential to maintain our competitive position. We utilize a number of information technology systems to manage all aspects of our operations, including but not limited to sales management, material procurement, production, quality control, inventory management, financial reporting and human resources. The following information technology systems are the most critical to our business among our collective integrated information systems:

Name of the IT System	Description of Functions
SAP System	We utilize the SAP system to conduct in-depth analysis of operations and enhance information exchange among different departments to streamline our back-office management. The system covers most aspects of our operations, including procurement, manufacturing, sales, financial reporting and human resources. The system helps retrieve and analyze our operation data to achieve more efficient decision-making and enhance productivity.
MES System	We utilize the manufacturing execution system in our production process to improve production efficiency of our manufacturing facilities. The system helps to record the production progress of each production line on a real-time basis and transit the production data to the database to ensure the efficient monitoring of the manufacturing process. The data collected by the MES system during manufacturing process can be integrated with our SAP system for further integration, analysis and reporting.
PLM system	We use the PLM system to provide a comprehensive and unified R&D collaborative management platform for R&D design, processing plan and technical documentation. Through the PLM platform, we build a standardized and well-regulated product database and an online design specification system for promoting the implementation of project process in the R&D management system, so as to improve the project management capability, product R&D capability and efficiency. As a result, we achieved the integration of information technology, product R&D technology and management technology.

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Name of the IT System	Description of Functions
SRM system	We build the SRM system to improve the synergy efficiency between internal and external resources in the supply chain. The system enables performance visualization, traceable process, and risk controllable management. It also builds a full life cycle management system for suppliers, including all links from planning, orders, logistics, after-sales to financial settlement, realizing the traceable management of the entire procurement business process.
Tracing platform	Our tracing platform meets customized storage requirements and independent tracing needs of customers. This platform contains battery production information, by which the battery can be recorded, trackable, searchable, controllable, and recallable, enabling the customers no longer to be confined to passive acceptance.
Big data platform	We have established a big data platform to aggregate, analyze and archive the business system data through various big data tools. The platform provides multi-dimensional query reports for operational decisions, visual data support for on-site production guidance, and long-term product data storage requirements for customers and legal requirements.

The capabilities and the stability of our IT infrastructure are vital to our business operations. The IT department performs system checks, data back-ups, system maintenance and other activities to secure the continual operation of the critical IT systems and facilities. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material failure or general breakdown of our IT systems which had resulted in a material adverse impact on our overall business operations.

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EMPLOYEES

We attract, select, cultivate and motivate all kinds of talents who share our mission. We provide a platform with fast development channels for our employees. As of the Latest Practicable Date, we have 7,380 full-time employees. The table below sets out the number of employees by function as of the Latest Practicable Date.

Employees Categorized by Function	Number of Employees	Percentage of Employees
Manufacturing and operating staff	3,995	54.0%
R&D technicians	2,939	39.0%
Administrative staff	246	3.0%
Marketing staff	102	2.0%
Financial staff	98	2.0%
Total	7,380	100%

We abide by the relevant PRC laws and regulations and provide employees with an open, fair and transparent working environment. For details, please see “Risk Factors – Risks Relating to Our Industry and Business – Some employees may have disputes with us over social insurance and housing provident fund.” We respect and cultivate our employees and provide a development platform for willing and competent employee. Our employees are protected by the PRC laws and regulations at work. We have established a labor union to protect the legal rights of all employees and encourage employees to participate in management decision-making process. We believe that our management policies, work environment, and employee development opportunities and benefits contribute to a good employee relations. We respect and respond to employees’ suggestions and we believe that we have harmonious relationships with our employees. During the Track Record Period and up to the Latest Practicable Date, we did not experience any strikes or major labor disputes.

Recruiting

Based on our strategic development plan, we formulate personnel planning and recruitment plan, reserve talents in advance, and build a talent pool. We have developed detailed policies governing our recruitment process. In the course of recruitment process, we identify the talents most suitable for our development needs through multiple channels, mainly including internal referrals, online recruitment, campus recruitment and local job fairs. For internal referrals, we have formulated the “Talent Scout Plan for All Staff (全員伯樂計劃)”. We enter into standard employment contracts and confidentiality agreements with our employees. We also enter into non-competition agreement with our key employees.

Remuneration and Benefits

We believe in providing our employees with attractive remuneration packages and a dynamic work environment that can motivate our employees to grow rapidly and create value. We offer employees attractive salaries, performance-based bonuses and equity-based incentives. As required by laws and regulations in the PRC, we participate in various government statutory employee benefit plans, including social insurance funds, namely, medical insurance, workplace injury insurance, maternity insurance, unemployment insurance, pension benefits and housing provident fund.

Training

We focus on the career development of all employees. We have established a systematic training management system providing corresponding training programs specialized for the needs and requirements of different employees. We have formulated fast track development programs, including newbies training program, fresh graduates training program, the Yunyan program (雲雁計劃), Lixiang lectures (鋸想大講堂) and other programs, for new employees, fresh graduates and first-line production employees to develop their job-related skills and knowledge. The training programs include company-level training programs, departmental-level training programs and position-level training programs. Company-level training programs focuses on training in corporate culture, business operations, organization structure, management systems and requirements, quality awareness, and safety awareness. Departmental-level training programs focuses on training in the structure, responsibilities, performance goals and major job duties of the department. Position-level training programs focuses on training in job responsibilities and skills required for the position. Our new first-line production employees are required to complete the training before obtaining a license to operate the production facilities on their own. Our employees will be required to provide evaluation feedback after the training, which we believe will assist us to improve and provide better quality training programs.

AWARDS AND HONORS

Over the years, we have received awards and recognitions from various certification organizations and undertaken a number of scientific research projects at national and provincial level.

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Enterprise honors and qualifications ^(Note)

No.	Award/Certificate	Awarding Organization	Year
National Enterprise Honorary Qualifications			
1	High-tech Enterprise (China Lithium Battery Technology Co., Ltd.) (高新技術企業(中創新航科技股份有限公司)) and CALB Technology Co., Ltd.* (中創新航技術研究院(江蘇)有限公司)	Jiangsu Provincial Science and Technology Department, Jiangsu Provincial Department of Finance, Jiangsu Provincial Taxation Bureau of the SAT	2018
2	CNAS Accreditation Certificate (Experimental Center of China Lithium Battery Technology Co., Ltd.) (CNAS認可證書(中航鋰電科技有限公司實驗中心))	China National Accreditation Service for Conformity Assessment	2020
Provincial Enterprise Honorary Qualifications			
3	Independent R&D Institutions of Leading Enterprises of Jiangsu Province (江蘇省龍頭骨幹企業獨立研發機構)	Jiangsu Provincial Science and Technology Department	2017
4	Postgraduate Workstations of Jiangsu Province (江蘇省研究生工作站)	Jiangsu Education Department, Jiangsu Provincial Science and Technology Department	2017
5	Jiangsu Engineering Research Center for Lithium-ion EV Batteries with High Specific Energy (江蘇省高比能鋰離子動力電池工程研究中心)	Jiangsu Provincial Development and Reform Commission	2019
6	Jiangsu Provincial Power and Energy Storage Battery Engineering Technology Research Center (江蘇省動力及儲能電池工程技術研究中心)	Jiangsu Provincial Science and Technology Department	2020
7	Jiangsu Provincial Enterprise Technology Center (江蘇省企業技術中心)	Jiangsu Provincial Industry and Information Technology Department	2020
8	Jiangsu Provincial Postdoctoral Innovation Practice Base (江蘇省博士後創新實踐基地)	Jiangsu Provincial Human Resources and Social Security Bureau	2021

Note: The following list excludes the awards/certificates obtained by Luoyang Company (i) prior to it becoming our subsidiary and (ii) after it ceased to be a subsidiary of our Company.

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No.	Award/Certificate	Awarding Organization	Year
9	Unicorn Enterprise in Southern Jiangsu National Independent Innovation Demonstration Zone (蘇南國家自主創新示範區獨角獸企業)	Jiangsu Productivity Promotion Center	2020
10	Jiangsu Provincial Unicorn Enterprise (江蘇省獨角獸企業)	Jiangsu Productivity Promotion Center	2021
11	Jiangsu Provincial Green Factory (江蘇省綠色工廠)	Jiangsu Provincial Industry and Information Technology Department	2020
12	Jiangsu Provincial Model Smart Workshop (Lithium-ion Power System Integration Workshop) (江蘇省示範智能車間(鋰離子電源系統集成車間))	Jiangsu Provincial Industry and Information Technology Department	2018
13	Jiangsu Provincial Model Smart Workshop (High-performance EV Battery Assembly Workshop) (江蘇省示範智能車間(高性能動力電池裝配車間))	Jiangsu Provincial Industry and Information Technology Department	2020
14	Five-star Cloud Companies in Jiangsu Province (江蘇省五星級上雲企業)	Jiangsu Provincial Industry and Information Technology Department	2018
15	Fujian Provincial Leading Industrial Cultivation Enterprise (福建省工業龍頭培育企業)	Fujian Provincial Industry and Information Technology Department	2021
16	Henan Provincial Smart Factory (河南省智能工廠)	Henan Provincial Industry and Information Technology Department	2019

Product Honorary Qualifications

No.	Award/Certificate	Awarding Organization	Year
1	Certificate of Honor of Jiangsu Provincial Innovative Technology and Products (High Energy Density L221 Battery) (江蘇省創新技術和產品榮譽證書(高能量密度L221型電池))	Jiangsu Provincial Automobile Industry Office	2019
2	Certificate of Honor of Jiangsu Provincial Excellent Innovative Technology and Products (Ultra-low Temperature and High Specific Power L148N20 Battery) (江蘇省優秀創新技術和產品榮譽證書(超低溫高比功率L148N20電池))	Jiangsu Provincial Automobile Industry Office	2019
3	Jiangsu Provincial Excellent Innovative Technology and Products (Ultra-low Temperature and High Specific Power L148N20 Battery) (江蘇省優秀創新技術和產品(超低溫高比功率L148N20電池))	Jiangsu Provincial Automobile Industry Office	2019
4	Jiangsu Provincial Excellent Innovative Technology and Products (High-end Long-Life Energy L221N169 Battery) (江蘇省優秀創新技術和產品(高端長壽命能量型L221N169電池))	Jiangsu Provincial Automobile Industry Office	2020
5	Jiangsu Provincial Excellent Innovative Technology and Products (High Safety and Fast-charging L152F132 Battery) (江蘇省優秀創新技術和產品(高安全兼顧快充型L152F132電池))	Jiangsu Provincial Automobile Industry Office	2020

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Projects Description

No.	Project Category	Project Name	Year
National Projects			
1	National Key R&D Program of China (中國國家重點研發計劃)	Technical Development of Design and Management and Control for Highly Reliable Sulfur-based Energy Storage Battery System (高可靠硫基儲能電池系統設計與管控技術開發)	2021
2	Intelligent Manufacturing New Model Application Project (智能製造新模式應用項目)	Intelligent Production Line of Lithium Battery and Power System for High-performance Vehicles (高性能車用鋰電池及電源系統智能生產線)	2015
Provincial Projects			
3	Key Construction Projects in Henan Province (河南省重點建設項目)	Smart Factory Project of China Lithium Battery (中航鋰電智能工廠項目)	2021
4	Jiangsu Science and Technology Plan – Industry Foresight and Common Key Technologies (江蘇省科技計劃–產業前瞻與共性關鍵技術)	R&D of Ultra Low Temperature and High Specific Power Lithium-ion Battery for Automotive 48V System (汽車48V系統用超低溫高比功率鋰離子電池研製開發)	2017
5	Key R&D Plans of Jiangsu Province (江蘇省重點研發計劃)	R&D of High Safety and High Energy Density Solid-State EV Batteries (高安全高能量密度固態鋰電池的研發)	2019
6	Jiangsu Provincial Industrial and Information Industry Transformation and Upgrading Special Fund (江蘇省工業和信息產業轉型升級專項資金)	Full-climate, High-safety and Long-life EV Battery and Battery System (全氣候高安全長壽命動力電池及電池系統)	2021
7	Special Fund for the Development of Strategic and Emerging Industries in Jiangsu Province (江蘇省戰略性新興產業發展專項資金)	China Lithium Battery Pilot Plant Phase II Project – High Specific Energy Stackable Tabless and Non-fire Battery Module (中航鋰電中試基地二期項目-高比能疊式全極耳不起火電池模組)	2021
8	Basic Research Program of Jiangsu Province – Natural Science Youth Fund (江蘇省基礎研究計劃 – 自然科學青年基金)	Research on the Construction, Preparation and Performance of Porous Carbon/Sulfur Composite Materials for High-Performance Lithium-Sulfur Batteries (高性能鋰硫電池用多孔碳/硫合、複合材料的構築、製備與性能研究)	2018

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No.	Project Category	Project Name	Year
9	Basic Research Program of Jiangsu Province – Natural Science Youth Fund (江蘇省基礎研究計劃 – 自然科學青年基金)	Preparation of Three-dimensional Macroporous PDMS Ion Imprinted Composite Membrane and the Research on the Action Mechanism of its Selective Separation of Palladium Ion (三維大孔PDMS離子印跡複合膜的製備及其選擇性分離鈀離子的行為機理研究)	2018
10	Basic Research Program of Jiangsu Province – Natural Science Youth Fund (江蘇省基礎研究計劃 – 自然科學青年基金)	Research on the Application of Finite Element Simulation Technology in the Development of Lithium-ion EV Batteries (有限元仿真技術在鋰離子動力電池開發中的應用研究)	2018
11	Basic Research Program of Jiangsu Province – Natural Science Youth Fund (江蘇省基礎研究計劃 – 自然科學青年基金)	In-situ Preparation of Lithium Monoion Polymer Electrolyte (原位法製備鋰單離子聚合物電解質)	2020
12	Talents in Jiangsu Province's Innovation and Entrepreneurship Initiative (江蘇省雙創人才)	R&D of Ultra Low Temperature and High Specific Power Lithium-ion Battery for Automotive 48V System (汽車48V系統用超低溫高比功率鋰離子電池研製開發)	2018
13	Doctors in Jiangsu Province's Innovation and Entrepreneurship Initiative (江蘇省雙創博士)	Development of High Safety Power Lithium Ion EV Batteries for PHEV (PHEV用高安全功率型鋰離子動力電池開發)	2018
14	Doctors in Jiangsu Province's Innovation and Entrepreneurship Initiative (江蘇省雙創博士)	R&D of Silicon-based Composite Anode System Binder (矽基複合負極體系黏結劑的研製開發)	2018
15	Talents in Jiangsu Province's Innovation and Entrepreneurship Initiative (江蘇省雙創人才)	Lithium-sulfur Battery (鋰硫電池)	2020
16	Talents in Jiangsu Province's Innovation and Entrepreneurship Initiative (江蘇省雙創人才)	High Safety and High Energy Density Solid-State EV Batteries (高安全高能量密度固態鋰電池)	2020

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We are also members of the following associations:

Association	Title	Year
Jiangsu Power and Energy Storage Battery Industry Innovation Alliance (江蘇省動力及儲能電池產業創新聯盟)	director	2019
Working Group on Standard Research of EV Batteries for Electric Vehicles (Standardization Institute of China Automotive Research and Technology Center) (電動汽車用動力蓄電池標準研究工作組(中國汽車研究技術中心標準化所))	member	2021

At the same time, we received the following awards that were granted by our customers:

Award	Company	Year
“Development Award”	Customer L	2021
“New Energy Excellent Supplier”	Customer G	2021
“New Energy Contribution Award”	Changan NEV	2018-2021

PROPERTIES

Owned properties

Land

As of the Latest Practicable Date, we held the land use rights of 28 parcels of land in the PRC with a site area of 3,314,260.19 sq.m., all real estate ownership certificates regarding the aforesaid 26 parcels of land have been obtained.

Buildings

As of the Latest Practicable Date, we held 73 buildings in the PRC with a total GFA of 575,227.17 sq.m., which were used for daily production and operation. Among them, property ownership certificates have been obtained for 62 buildings with a total GFA of 462,643.92 sq.m..

The remaining 11 buildings are in the process of applying for real estate ownership certificates, with a total GFA of 112,583.25 sq.m.. These buildings that are in the process of applying for property certificates are located on the site of the “Jiangsu Phase 2.1 Project” and are used for plant, warehouse and boiler room, etc.. “Jiangsu Phase 2.1 Project” has completed the relevant procedures for project construction and is currently undergoing completion acceptance. Our PRC Legal Advisor is of the view that we have obtained all the necessary

approvals and permits for the construction of the above mentioned 11 buildings in accordance with the construction progress, and there is no substantial legal impediment is expected for us to obtain the relevant real estate ownership certificates upon the completion and acceptance.

Leased properties

Buildings

As of the Latest Practicable Date, our Group had signed 65 property lease agreements in the PRC in respect of 1,940 leased units/buildings with a total area of approximately 156,562.08 sq.m, which were used for production and operation, storage and staff quarters.

As of the Latest Practicable Date, 43 of the above-mentioned lease agreements in respect of 763 units of lease properties did not have any property ownership certificate or were in the process of obtaining the building ownership certificate. As advised by our PRC Legal Advisor, if the lessor of the above-mentioned leased property has a defect in the rights of the leased property, which causes losses to us, we can request the lessor to be liable for such losses. Moreover, as the aforesaid buildings are mainly used for non-production and non-operating purposes such as staff dormitories, if the leased properties cannot be continued to lease to us due to defects in the rights of the leased properties, we can promptly find alternative premises, this will not have material adverse impact on our production and operation.

As of the Latest Practicable Date, 59 of the above-mentioned lease agreements have not been registered and filed with the relevant PRC authorities. Our PRC Legal Advisor is of the view that the non-registration and filing of the relevant property lease will not affect the validity of the lease contracts and the legal use of the leased properties, but relevant local housing authorities may require us to complete the filing within the prescribed period and we may be subject to penalties of RMB1,000 to RMB10,000 as a result of delay in filing for each of such properties. Accordingly, we believe that the failure to register these lease agreements will not have any material adverse effect on our operations and financial position.

As of the Latest Practicable Date, we were not subject to any material claims arising from or in respect of any defect in our leasehold interest in any of our leased properties.

We do not have any property interest with a carrying amount of 15% or more of our consolidated total assets as of March 31, 2022. Therefore, according to Chapter 5 of the Listing Rules and section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with the requirements of section 38(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which requires a valuation report with respect to all of our Group's interests in buildings.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

We are committed to establishing and maintaining risk management and internal control systems. We have adopted and implemented a comprehensive risk management policy encompassing risks that may arise in R&D, procurement management, production management, sales management, and the construction of new projects. Our risk management and internal control systems also cover the general functional operations such as human resources, financial management, asset management, warehousing and logistics management, information system management and corporate governance as well as decision-making processes. Meanwhile, we are committed to supervising and evaluating the effectiveness of risk management and internal control system to ensure that the system is rectified and effectively controlled as our business develops.

We have established a professional internal control team, which is responsible for establishing risk management and internal control systems, conducting internal audit and providing internal control consultation. As of March 31, 2022, the members of our internal control management team have an average of more than five years of relevant work experience, and hold relevant professional certificates.

We pursue a zero-tolerance policy towards bribery, corruption, extortion and embezzlement. We have adopted an “Employee Code of Conduct” that contains relevant requirements for confidentiality, integrity, conflicts of interest and other guidelines on the code of behaviors. We also provide our employees with education in respect of anti-bribery and anti-corruption through various channels such as integrity training at the same time publicizing the integrity regulations to our suppliers and entering into the “Anti-bribery Undertaking Agreement” with suppliers. We have put in place a whistle-blowing channel where external suppliers, employees and other relevant parties can file complaint or report violation acts.

To ensure the quality, efficiency, compliance and transparency of bidding and procurement of new projects, we have set up a team of bidding evaluation experts covering professional technology and economics to participate in the selection of suppliers in the bidding and procurement process. At the same time, we have established a supervision mechanism for the bidding and procurement process, supervised by internal control team to impose control on compliance in the process of reviewing potential candidates’ qualifications and bidding document and in the tender process, providing consulting services to business activities on bidding and procurement risks.

Insurance

As of the Latest Practicable Date, we believe that our insurance coverage is in line with the industry practice and adequate to cover our key assets, facilities and liabilities, including but not limited to property all risks insurance, machinery damage insurance, construction and engineering all risks insurance, domestic cargo transportation appointment insurance, import and export cargo transportation appointment insurance, employer liability insurance and public liability insurance. We procured insurance policies by type and amount that we consider sufficient, and evaluated such insurance policies from time to time based on our past experience, changes in production and industry developments. We are committed to minimizing the risks of product liability claims, warranty claims and product recalls through stringent quality control. In addition, in the event that one or more of our suppliers is determined to be liable (in whole or in part), we will assess the compensation or contributions sought from the relevant suppliers (if applicable) in accordance with the terms and conditions of the supply contracts entered into with the relevant suppliers, taking into account various commercial considerations, including but not limited to the amount sought, the financial ability of the relevant supplier and the risk of interruption in the supply of our products and our customers as a result of claims for compensation or contributions that may be made by us. Please see “Risk Factors – We may be subject to risks associated with EV batteries and we may not have adequate insurance to cover against such claims. At the same time, we may not be able to obtain/purchase adequate insurance for losses and liabilities arising from various operational risks and hazards to which we are exposed.”

ENVIRONMENTAL, SOCIAL AND GOVERNANCE MATTERS

We are dedicated to creating a long-lasting and positive environmental, social, and governance impact on our customers, suppliers and the communities that our operations may impact. Our management attaches great importance to environmental, social and governance issues, and has formulated and implemented relevant working mechanisms, and will continue to upgrade and improve such mechanisms.

Our Directors believe that establishing and implementing fine ESG principles and practices will help us achieve our mission and strategic objectives and provide long-term returns to our stakeholders. The Board is primarily responsible for overseeing the formulation and reporting of our ESG direction and strategy, determining ESG-related risks, and monitoring and reviewing our ESG performance. In addition, it also closely monitors the latest ESG-related laws and regulations, and updates our ESG measures accordingly to ensure that we comply with the latest regulatory laws and regulations.

At present, based on to the “RBA Responsible Business Alliance Code of Conduct”, “SA8000:2014 Social Responsibility International Standard”, “ISO26000 Social Responsibility Guidelines” and relevant national laws and regulations and combined with our actual situation, we have formulated and promulgated the corporate CSR management system and established an effective social responsibility work mechanism, and will release the corporate CSR report. The Company and its management recognize that compliance with relevant standards of CSR is an essential condition of a responsible company and an expectation of stakeholders such as customers, suppliers, employees, communities and governments.

Based on the existing CSR management system, we plan to further establish an ESG system based on the needs of environmental, social and governance issues. We plan to establish an ESG management committee to implement the ESG management framework, formulate ESG -related goals and organize the implementation of them. The members of the ESG Committee are planned to be appointed by our Company's Directors and senior management, and responsible for managing and supervising the ESG matters of the Company and its subsidiaries and providing advice and assistance to the Board. The specific tasks mainly include:

- i. Identification and formulation: Based on relevant policies, regulations, standards, trends and stakeholder demands, make judgments on relevant matters of the Company's ESG, and provide decision-making advice to the Board on the Company's ESG strategy;
- ii. Implementation: Monitor the Company's implementation of ESG strategies and the progress of achieving goals, evaluate the impact of ESG work on stakeholders, and put forward improvement suggestions for the next step of ESG work;
- iii. Evaluation: In addition to evaluating the performance of our ESG measures through discussions with stakeholders, the Board will engage an independent third-party inspection and evaluation agency to identify and evaluate our level of compliance in environmental protection, including Wastewater discharge, noise and air pollution control, and climate change.
- iv. Others: including but not limited to monitoring the budget and expenditure of the Company's ESG work, reviewing ESG reports, etc.

The actual and potential impact of environmental and climate-related risks on our business, strategy and financial performance and our response

We may face financial and non-financial damages arising from environmental and climate-related risks. For example, risks arising from compliance with applicable environmental laws and regulations and strict environmental standards. Our Directors are committed to environmental protection and mitigating climate-related risks in the course of our business operations.

Our production activities in China are subject to national environmental laws and regulations as well as environmental regulations and standards promulgated by relevant local government authorities. A goal of achieving carbon neutrality was set in China in 2020. In order to reduce carbon emissions and achieve carbon neutrality, we are required to reduce the power consumption generated by fossil energy, increase the proportion of green electricity in power consumption, while requiring suppliers to increase the proportion of green energy they use. At present, the price of green electricity in some regions is relatively higher, which may increase the cost of energy use.

In response to such potential cases, we plan to take measures as follows:

- (i) to construct production bases and supply chain systems in regions with abundant green power resources and relatively low cost, such as southwest China, so as to reduce cost of energy use;
- (ii) to introduce energy-saving equipment, and formulate plans to reduce process energy consumption, in turn reducing energy consumption.

Save for the above, up to the Latest Practicable Date, the Directors were not aware of other actual climate-related risks or damages that could adversely affect our business, strategy and financial performance.

Environment and Climate-Related Opportunities

In the future, the Board will be responsible for assessing and managing environmental and climate-related opportunities in terms of:

- (i) **Energy efficiency:** in order to improve production efficiency and save costs, and achieve carbon neutrality, our policy was set to purchase energy-efficient production equipment or carry out energy-saving renovation projects so as to limit or reduce emissions and production costs.
- (ii) **Carbon emission requirements:** in response to the national “dual carbon” policy, corresponding regulations and requirements for carbon emissions by enterprises in some regions were issued. Our Directors believe that giving priority to low-carbon manufacturing and producing green and low-carbon products over competitors can develop a carbon emission advantage, which is conducive to the development of customers and the increase of product share in regional markets with higher carbon emission requirements.
- (iii) **Brand value:** with the improvement of people’s awareness of low-carbon life and the support of national policies, the Directors believe that zero-carbon production can enhance our reputation in the market. In response to the current opportunities, we will build zero-carbon parks or zero-carbon factories to complete green manufacturing, thereby achieving brand value-added.

Metrics and Targets on Environmental, Social and Climate-related Risks

In order to better assess and manage our environmental, social and climate risks, we have set the following emission targets:

- Greenhouse gas emission reduction target: From 2022 until the end of 2025, we strive to reduce greenhouse gas emissions per unit of product by 5% per annum; our long-term goal is to achieve carbon-neutral by 2050. In addition, our greenhouse gas emissions per unit of product in 2021 decreased by 4.4% compared with 2020.

For the year ended December 31, 2021, we discharged 60.4 thousand tons of direct greenhouse gas emissions(CO₂) and 265.8 thousand tons of indirect greenhouse gas emissions (CO₂). Our greenhouse gas emission level per unit product was 29.1gCO₂/Wh in 2021, and we plan to further decrease our greenhouse gas reduction emission target to 20.0gCO₂/Wh in 2025.

- Energy consumption reduction target: By 2025, we strive to reduce comprehensive energy consumption per unit product by 5% per annum compared to the previous year. In addition, our 2021 comprehensive energy consumption per unit of product decreased by 9% compared with 2020.

For the year ended December 31, 2021, we discharged 335,326.6 thousand kWh of electricity consumption, 27,658.2 thousand cubic meters of natural gas consumption, 51.0 thousand liters of diesel consumption and 1,104.7 thousand tons of water consumption. Our energy consumption per unit product is 6.9 Kilogram of Coal Equivalent/kWh in 2021, and we plan to further decrease our energy consumption reduction target to 4.6 Kilogram of Coal Equivalent/kWh in 2025.

- Waste treatment target: To achieve green packaging, we strive to reach the target of 100% recyclability product packaging; we strive to increase the recyclable rate of all general industrial waste to more than 80% in 2022, and increase year over year. In addition, our industrial solid waste recyclability rates in 2021 and 2020 were 77% and 69%, respectively.

For the year ended December 31, 2021, we disposed 7,712.0 tons of general waste discharge and 825.7 tons of hazardous waste discharge. We plan to increase our waste recycling rate from 77% in 2021 to 90% in 2025.

- Wastewater and exhaust gas reduction emission targets: We dedicate to achieving the discharge of waste water and exhaust gas in fully compliance with the applicable standards. Our emission concentration in 2021 was far below the applicable standard value; meanwhile, our noise pollution at the boundary of the factory were approximately 57 decibel during the day and approximately 45.5 decibel at night, which were within the applicable standard of 65 decibel during the day and approximately 55 decibel at night, and we had nil noise pollution incidents.

For the year ended December 31, 2021, we discharged 60,720 tons of wastewater, 19.0 tons of nitrogen oxides and 1.6 tons of volatile organic compounds (VOCs). We plan to remain 100% compliance rate on wastewater and exhaust gas going forward.

We are committed to building a green and low-carbon factory to minimize the impact of our manufacturing operations on the environment. In 2020, we obtained the “Green Factory” certification in Jiangsu Province. We have established and operated an environmental management system in accordance with the requirements of the GB/T24001 standard to identify and control environmental management risks and to continuously improve our environmental management performance. We continue to hold the environmental management system certification.

We are committed to achieving carbon peaks and carbon neutrality. We have established and operated an energy management system in accordance with the GB/T23331 standard. We have adopted a series of measures such as technology and management to continuously reduce energy consumption and carbon emissions in the process of manufacturing operations. We have passed the energy management system certification and continue to hold the energy management system certification.

We ensure that we avoid causing significant adverse impacts on the condition of surrounding soil, air and water, including manufacturing, trading or using chemicals and hazardous substances internationally banned due to their high toxicity to living organisms, environmental persistence, or potential irreversible ecological effects, or the emission of arsenic and mercury.

Our manufacturing operations are subject to relevant environmental laws and regulations in the PRC. The environmental protection inspection department of the local government conducts regular inspections on our Company’s environmental protection. Our PRC Legal Advisor have advised us that, from January 1, 2019 to March 31, 2022, we have not been subject to significant penalties by the governmental authorities for non-compliance with the applicable PRC environmental laws and regulations, nor have we experienced any major environmental incidents or complaints that have a material adverse effect on our business, financial condition or results of operations during this period.

In 2019, 2020, 2021 and in the three months ended March 31, 2022, the costs we incurred in complying with the requirements of the relevant environmental laws and regulations and our expenditures related to environmental protection amounted to approximately RMB11.8 million, RMB24.9 million, RMB43.5 million and RMB26.4 million, respectively. We expect that our cost of complying with relevant environmental laws and regulations will increase as we expand our business.

According to the relevant PRC laws and regulations, we must control and reduce the extent of any pollution or any other harm to the environment that may be caused by the production and sales of our products in China. For details, please see “Regulatory Overview – Environmental Protection Tax Law”.

Management measures

Waste management

We design our projects in accordance with the relevant environmental laws and industry standards at the initial stages of the project. We construct environmental protection facilities in strict accordance with these standards during construction. To reduce waste emissions, we are committed to material recycling and recycling of waste resources and use low-polluting raw materials wherever possible. We also apply advanced technology standards to our production sites. We install online monitoring facilities and conduct regular tests on wastewater and exhaust gas emissions. We manage and control the process of collection, storage, and transfer of waste, in accordance with the relevant PRC laws and regulations. Our logistics management department will collect, store and inspect hazardous waste material regularly until it is transferred to a qualified waste disposal unit for further processing.

We have established an environmental management system with reference to ISO14001 and RBA and other standards and formulated corresponding environmental management documents and rules to meet the requirements of laws and regulations. The Directors consider that the main environmental risks of our operations are arising from (i) hazardous substances, (ii) solid waste, (iii) exhaust emissions, (iv) restricted substances, (v) wastewater treatment and (vi) air pollution. In order to reduce the major environmental risks of our operations and ensure that our production process is in full compliance with applicable environmental protection laws and regulations in China, we have formulated a set of environmental policies to manage the environmental impact of our business operations, the details of which are set out as follows:

According to Frost & Sullivan, our pollutant emissions (COD, ammonia nitrogen, Nitrogen oxides and sulfur dioxide) are in the average range in EV battery industry, and such metrics and measurements are in line with the industry norm. We take steps to reduce or eliminate pollutant emissions, releases, and waste generation at source, such as addition of pollution control equipment, improving production, maintenance and facility processes, or taking other measures. Our key governance measures for our key environment-related risks are as follows:

- **Hazardous substances:** we identify, and control hazardous chemicals and other substances released into the environment to ensure that these substances are handled, transported, stored, used, recycled or reused and disposed of in a safe manner.
- **Solid waste:** we use a systematic approach to identify, manage, reduce, legally dispose of or recycle solid waste (non-hazardous waste).

- **Exhaust emissions:** volatile organic chemicals, sprays, corrosive substances, suspended particles, ozone-depleting substances and combustion by-products arising from our operation shall be classified, routinely monitored, controlled and disposed of as required before being discharged. Ozone-depleting substances shall be effectively managed in accordance with the Montreal Protocol and applicable regulations. Operation of air emission control system shall be monitored in a regular way.
- **Restricted substances:** we comply with relevant laws, regulations and customer requirements regarding the prohibition or restriction of certain substances (including recycling and disposal signs) in our products and during the manufacturing process.
- **Wastewater treatment:** we comply with the wastewater discharge requirements imposed by laws and regulations such as “Taihu Basin Management Regulation” and “Pollutant Discharge Standards for Battery Industry”. We implement water resources management programs to record, classify and monitor water resources and their use and discharge; while pursuing to protect water resources and controlling pollution channels. All wastewater is required to be classified, monitored, controlled and disposed of prior to discharge or disposal. Operation of wastewater treatment and control systems are monitored regularly to ensure optimum performance and compliance.
- **Air pollution:** we shall set greenhouse gas reduction targets. We shall track, record and publicly report energy consumption and all relevant Category 1 and Category 2 GHG emissions based on our GHG reduction targets. We explore and develop cost-effective ways to improve energy efficiency and minimize energy consumption and greenhouse gas emissions. Different equipment or systems are installed in our factories to recycle and dispose of the exhaust gas. The exhaust gas that cannot be recycled shall be emitted once reaching emission standards after effective treatment in strict accordance with the requirements of the “Emission Standard of Pollutants for Battery Industry”.

We have developed contingency plans for environmental emergencies and organize regular staff drills to ensure that waste will not escape into the environment under special circumstances. Specifically, the solid waste storage site is protected against rain, seepage and dispersion and emergency measures such as emergency ponds have been set up. We strive to ensure that in the event of an emergency such as a leak, we are still able to prevent waste from being discharged by way of re-collection. The transport process is carried out by qualified transport units and the transport unit will carry out training for drivers and escorts and ensure that they obtain the qualification certificates stipulated by the state. Hazardous waste is transported in special vehicles for hazardous materials and relevant vehicles are equipped with emergency equipment such as fire extinguishers and absorbent cotton. The safety handover is carried out with the transport driver when the solid waste is transferred to ensure that emergency disposal can be carried out in case of emergencies.

Emission/Discharge Targets

Our emission/discharge targets include:

- Greenhouse gas emission reduction target: to reduce the greenhouse gas emission per unit product annually and to achieve carbon neutrality target by 2050.
- Waste treatment target: disposal of hazardous waste completely compliant with laws and regulations.
- Wastewater discharge target: zero discharge of wastewater.
- Exhaust gas emission target: exhaust gas emissions meeting the standards.
- Noise emission target: noise at the factory meeting the standards with zero noise pollution.
- Chemical leakage control target: zero chemical leakage accident.

Carbon emission management

Energy saving and consumption reduction

We actively improve our technology to reduce energy consumption in the production process. We purchase energy-efficient power equipment, and actively encourage the recycling of surplus energy and excess pressure to reduce the energy consumption in auxiliary production systems. We carry out energy-saving reviews, reducing the energy consumption in the subsidiary production support system through management measures.

Renewable energy utilization

We have built rooftop distributed photovoltaic power generation, ground-source heat pumps and other renewable energy utilization equipment and facilities, so as to supplement/replace grid power with solar energy, geothermal energy and other energy sources.

Use of recyclable materials

We vigorously develop material recycling technology to increase the proportion of recycled materials in the production materials.

Green design

We actively introduce green design philosophy and design green products with low carbon footprint.

Corporate Social Responsibility

Supply Chain Management Sustainability Policy

We have managed our suppliers and the procurement process on the basis of a series of supplier management internal control systems formulated by us, such as the “Policy of sustainability development in supply chain” and “Codes of Responsible Minerals Procurement”. Such supplier management policies define the social responsibility requirements for our suppliers from the aspects of business ethics, labor standards, occupational health and safety, environmental management, trade safety, anti-corruption and anti-commercial bribery. We have promoted our corporate social responsibility requirements and our high attention to corporate social responsibility to all suppliers through various ways.

Mineral procurement guidelines

Given the nature of our operations, we recognize the risks of potentially significant adverse impacts from mining, trading, disposing of, and exporting mineral resources in the conflict-affected and high-risk areas, and our obligation to respect human rights. We have committed to adopt and widely promote the policy in the “Chinese Due Diligence Guidelines for Responsible Mineral Supply Chains” and incorporate it into our management of supply chain. We have implemented “Codes of Responsible Minerals Procurement” internal control code to ensure that we strictly follow such policy. Set forth below are some examples of our internal policies:

- Our suppliers should formulate policies to reasonably ensure that the cobalt, tantalum, tin, gold, and tungsten contained in their manufactured products do not directly or indirectly fund armed groups in the Democratic Republic of Congo or neighboring countries/regions that commit serious human rights abuses.
- We will neither tolerate nor profit from, contribute to, assist or facilitate the commission of human rights violations and abuse.
- We will not tolerate any direct or indirect support to non-state armed groups through the extraction, transport, trade, handling or export of minerals.
- We strictly prohibit child and forced or compulsory labour.
- Our suppliers shall not purchase conflict minerals. The same prohibition extends to their downstream suppliers, whom will be investigated by these suppliers.

Anti-Corruption

Our suppliers should abide by laws and regulations on bribery, corruption, fraud and other prohibited business practices. Suppliers shall not provide, promise or give any improper interests, benefits or incentives to any government official, international organization or third party.

Anti-discrimination

Our suppliers should prohibit direct or indirect discrimination based on the following situations, ensure equal and fair treatment of opportunities in employment and work: race, skin color, age, sex, sexual orientation, disability, pregnancy, language, religion, political beliefs, community members, marital status, national or social origin, social status, property, ancestry or other circumstances. Employees or prospective employees should not be forced to undergo discriminatory medical examinations.

Occupational Health and Safety

Our operations are subject to the relevant PRC laws and regulations relating to employees' health and safety. We are committed to complying with PRC regulatory requirements, preventing and reducing hazards and risks that may cause damage to employees' health or company's property, and ensuring the health and safety of our employees and surrounding communities. During the Track Record Period, we have not had any significant accidents during our operations, and we are not aware of any material personal or property damage claim related to health and occupational safety.

In order to ensure that our operations comply with applicable laws and regulations, we have established and improved a series of policies and procedures on health and work safety, including safety production responsibility system, equipment safety management, high-risk operations, management of hazardous chemicals, accident and emergency, hierarchical management and control of safety risk, and hidden danger investigation and management, in accordance with relevant national laws and regulations and GB/T45001 standards. We have passed the certification review conducted by a third-party institution for our occupational health and safety management system, and thus continue to hold the certificate of the occupational health and safety management system. We have carried out self-assessment and external review for safety production standardization of enterprises as required, and have held a level III safety production standardization certificate. During the Track Record Period and up to the Latest Practicable Date, we recorded zero accidents of serious work-related injuries^{Note}, which is lower than industry average, according to Frost & Sullivan.

Note: Serious work-related injuries refer to the accidents that cause severe injuries to two or more persons, or minor injuries to three or more persons. For the definition of severe and minor injuries, please refer to "GB/T6441-1986 The Classification for Casualty Accidents of Enterprise Staff and Workers" (《企業職工傷亡事故分類》).

Employee training

We conduct pre-job training, environmental safety training and assessment for all new employees. All on-site operators shall be trained and assessed weekly, and the team leader organizes training on a monthly basis. The coverage of trainees is 100%. As of the Latest Practicable Date, we have organized EHS training for more than 31,000 person-times.

In view of the spread of COVID-19 in China since 2020, as part of our risk management of the COVID-19 pandemic, in order to minimize the risk of contagion to our employees and to mitigate the adverse effects of the COVID-19 pandemic on our business and operations, we have implemented the following preventive measures:

- (i) we dynamically conduct personnel inspection, home testing, nucleic acid testing and other management and control in accordance with government requirements and risks identified by the company itself.
- (ii) the public areas of the venue (meeting rooms, elevators, toilets, etc.) are disinfected twice a day.
- (iii) daily anti-pandemic materials such as masks and disinfectants are distributed adequately every day.
- (iv) each department conducts body temperature detections twice a day, and reports any abnormality and make evacuation as soon as possible.
- (v) we establish a departmental health administrator mechanism to communicate in real time the daily pandemic prevention and control within the Company.

REGULATORY COMPLIANCE AND LEGAL PROCEEDINGS

Licenses, Approvals and Permits

As of the Latest Practicable Date, we have obtained all necessary licenses, permits and approvals for conducting operating activities, including pollutant discharge permit, radiation safety license and others that are important to our operations, and such licenses, permits and approvals are still valid as of the Latest Practicable Date.

Legal Proceedings

In the course of general business operations, we may be involved in contract disputes, litigation or other legal procedures. As of the Latest Practicable Date, except for the intellectual property infringement claims below, none of our Company, any of our subsidiaries or any directors has been involved in any material litigation, arbitration or claim that may have a material adverse effect on the Group's financial condition or operating results.

Intellectual Property Infringement Claims

In August and October 2021, we were notified by the Intermediate Court of Fuzhou City, Fujian Province (the “**Intermediate Court of Fuzhou City**”) with regard to certain intellectual property infringement claims (related to Patent I to Patent V as defined below) brought against us and/or Luoyang Company, and in August 2022, we were notified by the Higher Court of Fujian Province (together with the Intermediate Court of Fuzhou City, the “**Courts**”) with regard to an intellectual property infringement claim (related to Patent VI as defined below) brought against us and Luoyang Company (each a “**Claim**” and together, the “**Claims**”). The Claims were petitioned in July 2021, September 2021 and July 2022, respectively, by Contemporary Amperex Technology Co., Limited (“**CATL**”), one of our competitors and the largest market player in the EV battery industry in 2021 in terms of installed capacity. In June 2022, our Company received the change of claim application submitted by CATL in respect of an increase in the claimed amount for Patent II (as defined below) from RMB98 million to RMB365 million and on the same day, Luoyang Company received the change of claim application submitted by CATL in respect of an increase in the claimed amount for Patent V (as defined below) from RMB15 million to RMB30 million. Further in July 2022, the Company received the change of claim application submitted by CATL in respect of an increase in the claimed amount for Patent IV (as defined below) from RMB30 million to RMB78 million. The Claims target at certain components (the “**Concerned Components**”) in four specified types of our battery products (the “**Concerned Products**”).

As of the Latest Practicable Date, the Claims in relation to Patent I (as defined below) to Patent V had moved to the substantive hearing stage and we are in the progress of contesting the Claims. Our Company has received the pleadings from CATL in respect of Patent VI (as defined below) and is in the process of preparing to contest such Claim.

Allegations

CATL alleges that we, by manufacturing and selling EV batteries in China, infringed six Chinese patents held by CATL, including:

- a. PRC patent No. 201810696957.2, granted in April 2019 and valid through June 2038, on “Cathode piece and battery” (正極極片及電池) (“**Patent I**”)^(Note 1);
- b. PRC utility model No. 201521112402.7, granted in May 2016 and valid through December 2025, on “Explosion-proof device” (防爆裝置) (“**Patent II**”)^(Note 2);
- c. PRC patent No. 201810039458.6, granted in September 2020 and valid through January 2038, on “Component for collecting current and battery” (集流構件和電池) (“**Patent III**”)^(Note 1);
- d. PRC patent No. 201910295365.4, granted in August 2020 and valid through April 2038, on “Lithium-ion battery” (鋰離子電池) (“**Patent IV**”)^(Note 1);

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- e. PRC utility model No. 201520401861.0, granted in September 2015 and valid through June 2025, on “Top cover structure of EV battery and EV battery” (動力電池頂蓋結構及動力電池)^(Note 3) (“**Patent V**”); and
- f. PRC utility model No. 201320059664.6, granted in July 2013 and valid through February 2023, on “Packaging components of EV battery” (動力電池封裝組件)^(Note 2) (“**Patent VI**”).

Notes:

- 1. The defendants in the patent-related lawsuit include our Company.
- 2. The defendants in the patent-related lawsuit include our Company and Luoyang Company.
- 3. The defendants in the patent-related lawsuit includes Luoyang Company (a former subsidiary of our Company until of our disposal of it in November 2021) without our Company.
- 4. Luoyang Company involved in the sales of two concerned types of products involving Patent II, Patent V and/or Patent VI as specified in the Claims.

Claims

CATL made similar claims in each of the Claims, asking the Courts to require us to:

- immediately stop infringing the relevant patents, including, without limitation, to cease manufacturing, selling or offering to sell concerned products that apply the aforementioned patents.
- pay in aggregate amount of RMB615 million^{Note 1} (including royalties payable during the temporary protection period for invention patents) to compensate CATL for its economic losses arising from such alleged infringements.

Notes 1 & 2: The contingent compensation of RMB615 million and the expenses of RMB3.2 million do not include the compensation and expenses claimed by CATL (which is RMB30 million and RMB0.5 million respectively) in respect of Patent V, of which the defendant is Luoyang Company which was no longer one of our subsidiaries after our disposal of Luoyang Company in November 2021. Moreover, Luoyang Company has confirmed that if the Court rules against Luoyang Company or orders Luoyang Company to pay the compensation to CATL in respect of Patent V, it shall assume all liabilities on its own. Taking into account the Claim of CATL against Luoyang Company, the total amount claimed by CATL against our Company and Luoyang Company for alleged infringement of intellectual property rights (including the amount of compensation and related expenses incurred by CATL) is approximately RMB648.7 million.

With respect to the Claims in relation to Patent II and Patent VI, our Company and Luoyang Company are joint defendants, and CATL requested both our Company and Luoyang Company to bear joint and several liability of the claimed amount of RMB365 million and the reasonable costs incurred by CATL of RMB1.2 million in respect of Patent II, and the claimed amount of RMB130 million and the reasonable costs incurred by CATL of RMB0.5 million in respect of Patent VI. Notwithstanding the above, the Courts will determine the split of compensation between our Company and Luoyang Company in the Claims in relation to Patent II and Patent VI and Luoyang Company will bear its respective portion of compensation as determined by the Courts.

- bear the expenses of RMB3.2 million^{Note 2}, which CATL claims to have incurred for trying to stop such alleged infringements.

The amount of RMB615 million claimed by CATL against our Group, which is CATL's estimated loss of economic benefits, represents neither the fair value of the alleged patents in the Concerned Products, nor the compensation amount which may be supported by the Court based on the views of V&T (as defined below) set forth below.

Analysis of the Claims by Patent

In preparation of our Listing, we engaged V&T Law Firm (“**V&T**”)^{Note 1} as our special IP counsel. The Sole Sponsor engaged Haiwen & Partners (“**Haiwen**”)^{Note 1} as its special IP counsel. The views of Haiwen are based on the information provided by the Company. In addition, the views of Haiwen are subject to the fact that Haiwen has not been engaged by the Company to act for it in the Claims and has not participated in the process of the Claims. Therefore, Haiwen would not be able to assume any responsibility with respect to the progress of the Claims or its ultimate result. Set out below is the analysis and views of V&T and Haiwen in respect of each of the concerned Patents:

- *Patent I*

- a. Background

Patent I relates to battery cathode piece technology. The pleadings from CATL alleged that Patent I is adopted in one type of our battery products (the “**Concerned Product related to Patent I**”).

The technologies fall within Patent I are publicly known technologies, the skills and parameters of which are conventionally designed, with limited contribution in terms of technological creativity to the concerned products. Our Company had already used the concerned technology before the application date of Patent I. In addition, based on the advices from V&T and Haiwen, the technology used in Patent I is not substantially different from the technology which had already been used in the batteries adopted by other NEVs in the market before the application date of Patent I such that the technology used in Patent I lacks of innovativeness. Therefore, our Directors are of the view that the technologies involved in Patent I are not the key technologies used by our Group.

Note 1: Both V&T and Haiwen hire lawyers who have passed the National Patent Attorney Qualification Examination and are qualified as Patent Attorneys, which entitled them to engage in patent attorney business legally, including patent application attorney, patent invalidation, and advising on patent affairs according to Article 13 of PRC Patent Attorney Regulations. Hence, they are qualified to make detailed comparisons of the component used by our Company in the Concerned Products and that of the alleged patents.

Our Company is the defendant in the Claim in relation to Patent I. The amount claimed by CATL for the potential infringement of Patent I was RMB30.5 million comprising damages of RMB30 million and costs incurred by CATL of RMB0.5 million. As of the Latest Practicable Date, Claim regarding relation to Patent I had moved to the substantive hearing stage.

b. Relevant legal basis and legal analysis by IP counsels

According to Article 67 of the PRC Patent Law, in case of patent dispute, if the party that was accused of infringement can prove that the technology or design are existing technology^(Note 2) or existing design, the infringement does not stand (the “**Prior Art Defense**”).

Our Company has engaged a third-party testing agency, which has the qualifications of China Inspection Body and Laboratory Mandatory Approval (“**CMA**”) and China National Accreditation Service for Conformity Assessment (“**CNAS**”) to issue a test report, which shows that the technology used in Patent I is not substantially different from the corresponding technology which had already been used in the batteries adopted by other NEVs in the market before the application date of Patent I.

According to the views of V&T and Haiwen, the Concerned Product related to Patent I adopts existing technologies. As such, V&T is of the view that our Company is not liable for patent infringement in respect of Patent I and Haiwen is of the view that it is likely that the Prior Art Defense can be established and the likelihood that our Company will be held liable for infringement of Patent I and the corresponding compensation is low.

c. Impact on the Concerned Product related to Patent I

According to the aforementioned views of V&T and Haiwen, the likelihood that our Group is required to cease the manufacturing of the Concerned Product related to Patent I is low.

- *Patent II*

a. Background

Patent II relates to an air tightness detection structure of explosion-proof device arranged on the cover of the battery. The pleadings from CATL alleged that Patent II is adopted in four types of our battery products (the “**Concerned Products related to Patent II**”).

Note 2: Paragraph 5 of Article 22 of the PRC Patent Law provides that the existing technology refers to the technology that is known to the public domestically and abroad prior to the date of its application.

As part of our regular and routine technology update and products upgrade^{Note 1} which is common in the EV battery industry to maintain product competitiveness, our Company carried out the product version upgrade for the Concerned Products related to Patent II by upgrading the Concerned Component sourced from the supplier before we were notified by the Intermediate Court of Fuzhou City about the Claim concerning Patent II filed by CATL. Since the completion of the product version upgrading by replacing the Concerned Component, our Company has put into use the components (sourced from the supplier) adopting technologies different from the disputed technology concerning Patent II. Accordingly, our Directors are of the view that the disputed technologies involved in Patent II are replaceable and hence not the key technologies used by our Group.

Our Company and Luoyang Company are the joint defendants in the Claim concerning Patent II. The initial amount claimed by CATL under the Claim in relation to Patent II was RMB99 million (comprising damages of RMB98 million and cost incurred by CATL of RMB1 million) and was increased to RMB366.2 million (comprising damages of RMB365 million and costs incurred by CATL of RMB1.2 million) in May 2022. As of the Latest Practicable Date, the Claim regarding Patent II had been transferred to the Higher Court of Fujian Province and had moved to the substantive hearing stage.

b. Relevant legal basis and legal analysis by IP counsels

(a) *In respect of our Company's products before the product version upgrade*

According to Article 7 of the Interpretation of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Patent Infringement Disputes (最高人民法院關於審理專利糾紛案件適用法律問題的若干規定) (“**Interpretation**”), whether or not a disputed product has infringed a patent depends on whether the technical package of the disputed product contains all the technical features set out in the protection scope of the patent (i.e. the rights claim of the patent). As long as the disputed product varies with or lacks of at least one of the technical features, the disputed product will not fall into the protection scope of the concerned patent.

Note 1: Technology upgrade and products upgrade could mean complete termination of a type of product following the launch of a new type of product (such that the original product type is no longer manufactured and sold, like the products concerning Patent V and Patent VI); or mean an upgrade of version within the same type of product (such that the original version of the product is no longer manufactured and sold but a new version within the same product type is launched, like the products concerning Patent II and Patent III).

After making a detailed comparison of the component used by our Company in the Concerned Products related to Patent II before the product version update and that of Patent II by V&T, as the Concerned Component used by our Company in the Concerned Products related to Patent II does not contain all the technical features of Patent II's the rights claim, V&T is of the view that the Concerned Products related to Patent II produced by our Company before product version upgrading do not fall within the protection scope of Patent II, thus there is no infringement concerning Patent II. Haiwen is of the view that the likelihood that the Concerned Products related to Patent II produced by our Company before product version upgrading fall within the protection scope of Patent II is low.

In addition, the explosion-proof device used in the products of our Group were purchased from the cover plate supplier. Under Article 77 of the PRC Patent Law, where any person, for the purpose of production and business operation, uses or sells patent-infringing products without knowing that such products are produced and sold without permission of the patentee, he shall not be liable for compensation provided that the legitimate source of the products can be proved.

Our Group purchased such component from the cover plate supplier, which is a legitimate source of procurement. On the basis of the above, (i) V&T is of the view that our Company is not liable to compensate CATL in respect of the Claim concerning Patent II and (ii) Haiwen is of the view that the likelihood that our Company will be held liable to compensate CATL is low since our Company purchased the alleged infringing components from legitimate sources (i.e. normal sales and purchase contracts in place, which contain normal commercial terms).

(b) In respect of our Company's products after the product version upgrade

Since the completion of the product version upgrading by upgrading the Concerned Component, our Company has put into use the component (sourced from its supplier) adopting technologies different from the disputed technology concerning Patent II.

As advised by V&T, the technical features of the component used in the Concerned Products related to Patent II after the product version upgrading does not contain all the technical features of Patent II's rights claim, therefore the Concerned Products related to Patent II after the product version upgrading do not infringe the Patent II and can be sold normally. Based on the comparison of the technical features of the component used in the Concerned Products related to Patent II manufactured by the Company after product version upgrading against the technical features of Patent II's rights claim, Haiwen is of the view that the likelihood of the Concerned Products related to Patent II's infringing the Patent II is low and the Concerned Products related to Patent II can be sold normally.

Therefore, our Group is able to manufacture and sell the Concerned Products related to Patent II after the product version upgrading.

c. Impact on the Concerned Products related to Patent II

As mentioned above, as the technical features of the component used in the Concerned Products related to Patent II either before or after the component upgrade do not contain all the technical features of Patent II's rights claim, the Concerned Products related to Patent II do not infringe the Patent II. Following our product version upgrade for the Concerned Products related to Patent II, we began to sell the new version of the Concerned Products related to Patent II. Hence, our Group has not ceased the production and sales of the type of Concerned Products related to Patent II during the Track Record Period and up to the Latest Practicable Date, and has never experienced any interruption in relation to sales of Concerned Products related to Patent II as a result of the Claim.

• *Patent III*

a. Background

Patent III relates to retaining structure that remains fixed when the connector of battery current collector is bending. The pleadings from CATL alleged that Patent III is adopted in one type of our battery products (the "**Concerned Product related to Patent III**").

As part of our regular and routine technology update and products upgrade, our Company carried out the product version upgrade for the Concerned Product related to Patent III by upgrading the Concerned Component before we were notified by the Intermediate Court of Fuzhou City about the Claim concerning Patent III filed by CATL. Since the completion of the product version upgrading by upgrading the Concerned Component, our Company has put into use the component (sourced from the supplier) adopting technologies different from the disputed technology concerning Patent III. Accordingly, our Directors are of the view that the disputed technologies involved in Patent III are replaceable and hence not the key technologies used by our Group.

Our Company is the defendant in the Claim in relation to Patent III. The amount claimed by CATL under the Claim in relation to Patent III was RMB12.5 million comprising damages of RMB12 million and costs incurred by CATL of RMB0.5 million. As of the Latest Practicable Date, the Claim regarding Patent III had moved to the substantive hearing stage.

b. Relevant legal basis and legal analysis by IP counsels

(a) *In respect of our Company's products before the product version upgrade*

According to Article 7 of the Interpretation, whether or not a disputed product has infringed a patent depends on whether the technical package of the disputed product contains all the technical features set out in the protection scope of the patent (i.e. the rights claim of the patent). As long as the disputed product varies with or lacks of at least one of the technical features, the disputed product will not fall into the protection scope of the concerned patent.

After making a detailed comparison of the component used by our Company in the Concerned Product related to Patent III before the product version upgrade and that of Patent III by V&T, as the Concerned Component used in the Concerned Product related to Patent III does not contain all the technical features of Patent III's rights claim, V&T is of the view that the Concerned Product related to Patent III produced by our Company before the product version upgrading do not fall within the protection scope of Patent III, thus there is no infringement of Patent III. Haiwen is of the view that the likelihood that the Concerned Product related to Patent III produced by our Company before product version upgrading falls within the protection scope of Patent III is low.

(b) In respect of our Company's products after the product version upgrade

Since the completion of the product version upgrading by upgrading the Concerned Component, our Company has put into use the component (sourced from its supplier) adopting technologies different from the disputed technology concerning Patent III. As advised by V&T, the technical features of the component used in the Concerned Product related to Patent III after the product version upgrading does not contain all the technical features of Patent III's rights claim, therefore the Concerned Product related to Patent III after the product version upgrading do not infringe the Patent III and can be sold normally. Based on the comparison of the technical features of the component used in the Concerned Product related to Patent III manufactured by the Company after the product version upgrading against the technical features of Patent III's rights claim, Haiwen is of the view that the likelihood of the Concerned Product related to Patent III's infringing the Patent III is low and the Concerned Product related to Patent III can be sold normally. Therefore, our Group is able to manufacture and sell the Concerned Product related to Patent III after the product version upgrading.

c. Impact on the Concerned Product related to Patent III

As mentioned above, as the technical features of the component used in the Concerned Product related to Patent III either before or after the component upgrade do not contain all the technical features of Patent III's rights claim, the Concerned Product related to Patent III do not infringe the Patent III. Following our product version upgrade for the Concerned Product related to Patent III, we began to sell the new version of the Concerned Products related to Patent III. Hence, our Group has not ceased the production and sales of the type of Concerned Product related to Patent III during the Track Record Period and up to the Latest Practicable Date, and has never experienced any interruption in relation to sales of Concerned Product related to Patent III as a result of the Claim.

- *Patent IV*

- a. Background

Patent IV relates to battery negative pole piece technology. The pleadings from CATL alleged that Patent IV is adopted in one type of our battery products (the **“Concerned Product related to Patent IV”**).

The technologies fall within Patent IV are publicly known technologies, the skills and parameters of which are conventionally designed, with limited contribution in terms of technological creativity to the concerned products. Our Company had already used the concerned technology before the application date of Patent IV. In addition, based on the advice from V&T and Haiwen, the technology used in Patent IV is not substantially different from the technology which had already been used in the batteries adopted by other NEVs in the market before the application date of Patent IV such that the technology used in Patent IV lacks of innovativeness. Therefore, our Directors are of the view that the technologies involved in Patent IV are not the key technologies used by our Group.

Our Company is the defendant in the Claim in relation to Patent IV. The initial amount claimed by CATL under the Claim in relation to Patent IV was RMB30.5 million (comprising damages of RMB30 million and costs incurred by CATL of RMB0.5 million) and was raised to RMB78.5 million (comprising damages of RMB78 million and costs incurred by CATL of RMB0.5 million) in July 2022. As of the Latest Practicable Date, the Claim regarding Patent IV had moved to the substantive hearing stage.

- b. Relevant legal basis and legal analysis by IP counsels

According to Article 67 of the PRC Patent Law, in case of patent dispute, if the party that was accused of infringement can prove that the technology or design are existing technology or existing design, the infringement does not stand.

Our Company engaged a third-party testing agency, which has the qualifications of CMA and CNAS to issue a test report, which shows that the technology used in Patent IV is not substantially different from the corresponding technology which had already been used in the batteries adopted by other NEVs in the market before the application date of Patent IV.

According to the views of V&T and Haiwen, the Concerned Product related to Patent IV adopts existing technologies. As such, V&T is of the view that our Company is not liable for patent infringement in respect of Patent IV and Haiwen is of the view that it is likely that the Prior Art Defense can be established and the likelihood that our Company will be held liable for infringement of Patent IV and the corresponding compensation is low.

c. Impact on the Concerned Product related to Patent IV

According to the aforementioned views of V&T and Haiwen, the likelihood that our Group is required to cease the manufacturing of the Concerned Product related to Patent IV is low.

- *Patent V*

a. Background

Patent V relates to the structure of the turnover sheet on the battery cover plate. The pleadings from CATL alleged that Patent V is adopted in one type of our battery products (the “**Concerned Product related to Patent V**”).

As part of our products iteration, the disputed products concerning Patent V were no longer manufactured by our Group and Luoyang Company in June 2019 prior to the Claim being brought against Luoyang Company, and our Group and Luoyang Company ceased to record any revenue from such disputed products thereafter. Accordingly, our Directors are of the view that the technologies involved in Patent V are replaceable and hence are not the key technologies used by our Group.

Luoyang Company is the defendant in the Claim in relation to Patent V. The initial amount claimed by CATL under the Claim in relation to Patent V was RMB15.5 million (comprising damages of RMB15 million and costs incurred by CATL of RMB0.5 million) and was raised to RMB30.5 million (comprising damages of RMB30 million and costs incurred by CATL of RMB0.5 million). As of the Latest Practicable Date, the Claim regarding Patent V had moved to the substantive hearing stage.

b. Relevant legal basis and legal analysis by IP counsels

Under Article 26 of the PRC Patent Law, the patent application document of invention or utility model includes, among others, the rights claim part (which concisely and precisely names the protection scope of patent) and the specification part (which contains comprehensive, detailed descriptions on what the technology is), both of which will be published.

According to Article 64 of the PRC Patent Law, the protection scope of patent of an invention or utility model shall be limited to the prescribed details as set out in the rights claim part of each invention or utility model (rather than the descriptions in the specification part).

With reference to Section 2.2, Chapter III, Part II of the Guidelines for Patent Examination, a conflicting application refers to a situation in which an application filed by any entity or individual with the Patent Office for the invention or utility model same as the disputed patent (i.e. Patent V) before the filing date of the disputed patent while the patent application document of the formerly-filed patent published after the filing date of the disputed patent, and the formerly-filed patent impairs the novelty of the disputed patent (the “**Conflicting Application**”). The conflicting application defense, which is applied in the situation when two patent applications with the same technology were filed with the Patent Office in similar time and the specific content in the previous application (which became an existing technology) impairs the latter’s novelty, is similar to the Prior Art Defense.

As advised by V&T, there is a Conflicting Application that was submitted by CATL earlier than the application date of Patent V but published after the application date of Patent V, and the technology used in the components of the Concerned Product related to Patent V is the same as that published in the specification part of Conflicting Application (which is an existing technology) rather than the rights claim part of the Conflicting Application (i.e. the protection scope of patent). On the basis of the above, as advised by V&T, when there is a Conflicting Application and the technology used in the disputed products manufactured by Luoyang Company is the same as part of that published in the specification part of Conflicting Application but not included in the rights claim part of the Conflicting Application, it is likely Luoyang Company’s conflicting application defense can be established.

In addition, as stipulated by Article 7 of the Interpretation (as defined above), whether or not a disputed product has infringed a patent depends on whether the technical package of the disputed product contains all the technical features set out in the protection scope of the patent (i.e. the rights claim of the patent). Therefore, as the technical features of the components of the Concerned Product related to Patent V do not fully fall with the rights claim part of the Conflicting Application, the Concerned Product related to Patent V would not infringe the patent right of the Conflicting Application as advised by V&T.

On the basis of the above, V&T is of the view that Luoyang Company can argue there is no infringement of Patent V as claimed by CATL and Haiwen is of the view that it is more likely that the defense of Conflicting Application can be established and the likelihood that Luoyang Company will be held liable for infringement of Patent V is low.

c. Impact on the Concerned Product related to Patent V

As part of our regular and routine product iteration, the disputed products concerning Patent V were no longer manufactured by our Group and Luoyang Company in June 2019 prior to the Claim being brought against Luoyang Company, and our Group and Luoyang Company ceased to record any revenue from the disputed products concerning Patent V thereafter. Accordingly, the Claim concerning Patent V has no actual impact on the Concerned Product related to Patent V.

- *Patent VI*

- a. Background

Patent VI relates to an EV battery package assembly. The pleadings from CATL alleged that our Company and Luoyang Company adopted Patent VI in two types of battery products (the “**Concerned Products related to Patent VI**”).

As part of our products type upgrade, our Group and Luoyang Company ceased to manufacture and sell one type of the Concerned Products related to Patent VI in June 2019, which was before CATL filed the Claim concerning Patent VI. Our Group and Luoyang Company ceased to record any revenue from such discontinued type of products thereafter. As to the other type of products under Concerned Products related to Patent VI, it is approaching the end of its life cycle and our Directors expect that such type of product will be replaced by products with higher performance due to the demand of our customers gradually. Accordingly, our Directors are of the view that the technologies involved in Patent VI are replaceable and hence not the key technologies used by our Group.

Our Company and Luoyang Company are the defendants in the Claim in relation to Patent VI. The amount claimed by CATL under the Claim in relation to Patent VI was RMB130.5 million comprising damages of RMB130 million and costs incurred by CATL of RMB0.5 million. As of the Latest Practicable Date, our Company has received the pleadings from CATL in respect of Patent VI and is in the process of preparing to contest the Claim in relation to Patent VI.

- b. Relevant legal basis and legal analysis by IP counsels

According to Article 7 of the Interpretation, whether or not a disputed product has infringed a patent depends on whether the technical package of the disputed product contains all the technical features set out in the protection scope of the patent (i.e. the rights claim of the patent). As long as the disputed product varies with or lacks of at least one of the technical features, the disputed product will not fall into the protection scope of the concerned patent.

After making a detailed comparison between the Concerned Component used in the Concerned Products related to Patent VI and that of Patent VI by V&T, as the Concerned Components used in the Concerned Products related to Patent VI do not contain all the technical features of Patent VI’s rights claim, V&T is of the view that the Concerned Components used in the Concerned Products related to Patent VI do not fall within the protection scope of Patent VI, and there is no infringement of Patent VI according to Article 7 of the Interpretation. Haiwen is of the view that the likelihood that the Concerned Products related to Patent VI fall within the protection scope of Patent VI and that our Company will be held liable for infringement of Patent VI is low.

c. Impact on the Concerned Products related to Patent VI

As mentioned above, our Group and Luoyang Company ceased to manufacture and sell one type (i.e. Type A) of the disputed products involving Patent VI in June 2019 and ceased to record any revenue from such discontinued type (i.e. Type A) of products thereafter.

Our Group and Luoyang Company are still manufacturing the other type (i.e. Type B) of the Concerned Products related to Patent VI. As advised by V&T and Haiwen, as the other type (i.e. Type B) of the Concerned Products related to Patent VI does not adopt the technologies of Patent VI, there is no infringement of Patent VI and our Company will be entitled to sell the other type (i.e. Type B) of the Concerned Products related to Patent VI normally, according to Article 7 of the Interpretation. Moreover, the validity period of Patent VI will expire in February 2023. As advised by V&T and Haiwen, after the expiration of the validity period of Patent VI, the technologies protected thereunder will come into public domain and can be freely adopted by any person. Moreover, as the other type (i.e. Type B) of the Concerned Products related to Patent VI is approaching the end of its life cycle, our Directors expect that such type (i.e. Type B) of Concerned Products related to Patent VI will be replaced by products with higher performance gradually.

Overall views regarding the Claims

Based on the above analysis, V&T and Haiwen are of the view that CATL is unlikely to prevail in the Claims.

Having considered the views of V&T and Haiwen above and mainly after (i) discussing with the Company about the Claims and IP rights concerned and obtaining from the Company and reviewing the supporting documents relevant to the Claims, (ii) discussing with V&T and reviewing the legal analysis prepared by V&T on the Claims and the freedom-to-operate analysis^{Note 1} prepared by V&T on the Company's core products, (iii) discussing with V&T, the Company's PRC legal adviser and the Company to understand the details and progress of the Claims and its impact to the business operation of the Group, (iv) discussing with the PRC legal advisor to the Sole Sponsor on relevant IP search results through the inquiry system of the CNIPA (as defined below), and (v) discussing with Haiwen in respect of the Claims, the Sole Sponsor agrees with V&T and Haiwen's views that CATL is unlikely to prevail in the Claims.

Note 1: The Company has also engaged V&T to conduct freedom-to-operate analysis against the valid patents of certain major market players in China (including CATL), which identified no valid Chinese patents of the major market players that may block the production and sales of our core products in China.

Actions taken

We made the patent invalidation applications in relation to Patent I to Patent VI held by CATL to China National Intellectual Property Administration (the “CNIPA”) after receipt of the Claims from CATL. In a patent invalidation application, in order for the CNIPA to hold the entire patent to be invalid, the petitioner needs to present to the CNIPA the reference document(s)^{Note 2} which disclose all the technical features of the rights claim in the concerned patent (i.e. the protection scope of such patent), so as to demonstrate that such patent is lack of novelty and/or creativity.

Set out below is the status of each of the aforesaid patent invalidation applications:

Patent I, Patent IV, Patent V and Patent VI

We have filed patent invalidation requests against Patent I, Patent IV, Patent V and Patent VI to the CNIPA, and no decision has been issued by the CNIPA yet.

Patent II and Patent III

On April 6, 2022, the CNIPA issued a decision which upheld the validity of Patent II. The decision of the CNIPA to uphold the validity of Patent II is due to all the technical features and corresponding technical effects of Patent II are not found/disclosed in the reference document, so the patent right is declared to be valid. Our Company disagreed with the CNIPA’s determination that the rights claim of Patent II remained novel and creative and thus appealed the decision of the CNIPA concerning Patent II by filing an administrative litigation with the Beijing Intellectual Property Court. At the same time, our Company has filed a new patent invalidation application against Patent II.

On April 24, 2022, the CNIPA issued a decision which partly upheld the validity of Patent III, which means save as one or more (but not all) the rights claim under the patent in invention or utility model is/are declared invalid, other rights claim thereunder remains valid. The decision of the CNIPA to partly uphold the validity of Patent III is due to the finding that technical features of some of the rights claim are found/disclosed in the reference document(s) presented, of which CNIPA held that those rights claim are invalid; while there are also technical features of some other rights claim which have not been found/disclosed in the reference document(s) presented. Therefore, the CNIPA decided that the patent right is continued to be valid with respect to certain rights claim which have not been found/disclosed in the reference document(s) presented (i.e. those rights claim which have not yet been proved to lose novelty and/or creativity). Our Company disagreed with the CNIPA’s determination that certain rights claim of Patent III remained novel and creative and thus appealed the decision of the CNIPA by filing an administrative litigation with the Beijing Intellectual Property Court.

Note 2: Reference documents refer to the relevant documents cited as specified under the Guidelines in relation to Patents Approval* (《專利審查指南》) for deciding whether or not an invention or utility model has sufficient novelty and creativity, including both patented or and non-patented documents.

Although we consider we had presented valid reference document(s) to demonstrate that those rights claim of Patent II and Patent III lack novelty and/or creativity, the determination of the CNIPA was based on its discretion to judge whether certain technical feature(s) disclosed in the reference document(s) is the same as the technical feature(s) of the rights claim of the concerned patent. Given the interpretation may vary and we disagreed with the original determination issued by the CNIPA, we appealed the decision of the CNIPA and/or filed a new patent invalidation application.

According to the provisions of Article 46 of the Patent Law of the People's Republic of China, any person who disagrees with the decision of the CNIPA to declare the patent invalidation or maintain the patent right may file a lawsuit with the people's court within three months from the date of receipt of the notice. As our Company appealed the decision of the CNIPA concerning Patent II and Patent III by filing an administrative litigation with the Beijing Intellectual Property Court, the decisions of the CNIPA for Patent II and Patent III are subject to change.

The court judgment made by Beijing Intellectual Property Court is of first instance and will become effective if there is no appeal to a higher level of court within fifteen days from the date of service of the court judgment. Our Company and the CNIPA as parties to the proceedings, and CATL as a third party who will have to bear unfavorable consequences as a result of the first instance judgment by the Beijing Intellectual Property Court, are entitled to appeal against such judgment to the Supreme People's Court within the aforementioned appeal period. If any of the above-mentioned parties appeals to the Supreme People's Court, according to the two-tier judicial system in the PRC, the judgment made by the Supreme People's Court at the appeal will be final and become effective. After the administrative litigation judgment becomes effective, if the result of the judgment is that the "decision of CNIPA is revoked and the CNIPA shall make a new decision", then the CNIPA shall make a different decision on the validity of the patent in accordance with the effective judgment.

Impact on our Group

In light of the foregoing and based on the analysis and views of V&T set out above, our Directors are of the view that (i) the Claims are lacking in merit; and (ii) the Claims will not have a material adverse effect on the Group's business, financial condition or results of operation as a whole.

Furthermore, based on the above analysis of V&T and its view that CATL is unlikely to prevail in the Claims, our Directors assess that it is not probable that the Claims would lead to an outflow of economic resources of our Company and therefore, no provision has been made for the Claims in our Company's consolidated financial statements and the Claims are disclosed as contingent liabilities.

In the unlikely event (the “**Worst-case Scenario**”) that (i) our Company’s application to the CNIPA for the invalidation of the patents under the Claims are rejected; (ii) the Court rules against our Company and supports all Claims made by CATL; and (iii) our Company also loses the subsequent appeal regarding the Claims, our Company may be obliged to (i) make the payment of an amount not exceeding RMB615 million to CATL as damages and also bear the relevant litigation costs (which is estimated to be approximately RMB3.2 million); and (ii) cease the sales of the Concerned Products (i.e. only two types of products as specified in the Claims, which do not include the products which have already ceased production due to either product iteration or product version upgrading by upgrading the Concerned Components) in the PRC market altogether going forward.

If the Worst-case Scenario does occur, our Directors consider that our Group’s operation and financial performance would not be materially affected for the reasons set out below:

- (i) the claimed potential compensation of up to RMB618.2 million is not expected to have material adverse impact on our Company, which only represents approximately 9.06% of the total revenue of our Company for the year of 2021. In addition, as of March 31, 2022, our Group’s cash and cash equivalents and available deposit products recorded in other financial assets amounted to approximately RMB6,255.61 million. The payment of the compensation amount as claimed by CATL is not expected to have any material adverse impact on the financial conditions of our Group;
- (ii) as part of our regular and routine technology update and products upgrade, our Company carried out product version upgrade for the products involving Patent II and Patent III before the Claims against the Concerned Products related to Patent II and Patent III were filed by CATL. Even if the original version of products concerning Patent II or Patent III were determined to have infringed Patent II or Patent III, our sales of the new version of such products would not be affected as the disputed technologies are not applied in such products. Therefore, our Company submits there is no actual impact on our Group’s future operation and financial performance in respect of the Concerned Products related to Patent II and the Concerned Product related to Patent III;
- (iii) due to regular and routine products iteration, the disputed products concerning Patent V were no longer manufactured by our Group and Luoyang Company in June 2019 prior to the Claim being brought against Luoyang Company, and our Group and Luoyang Company ceased to record any revenue from such discontinued type of products thereafter. In addition, Luoyang Company, the only defendant for the Claim concerning Patent V, is no longer our subsidiary and we will not bear the compensation amount claimed against Luoyang Company. On the basis of the above, our Directors are of the view that there is no actual impact on our Group’s future operation and financial performance in respect of the Concerned Product related to Patent V;

- (iv) due to product type upgrading, production of Concerned Product related to Patent I and Patent IV will gradually decrease and such type of products has reached nearly the end of its life cycle with limited expected sales quantity in 2023 and will no longer be produced in 2024 after being replaced by new types of products with better performance. On the basis of the above, our Directors believe the Claims in respect of Patent I and Patent IV are not expected to disrupt our Group's business operation;
- (v) according to the pleadings from CATL, our Company and Luoyang Company adopted Patent VI in two types of battery products. Due to regular and routine technology update and products upgrade, our Group and Luoyang Company ceased to record any revenue from such discontinued type (i.e. Type A) of Concerned Products related to Patent VI in June 2019, which was before CATL filed the Claim in respect of Patent VI. As the other type (i.e. Type B) of the Concerned Products related to Patent VI is approaching the end of its life cycle, our Directors expect that such type (i.e. Type B) of Concerned Products related to Patent VI will be replaced by products with higher performance. On the basis of the above, our Directors are of the view that there is no actual impact on our Group's future operation and financial performance in respect of the Concerned Products related to Patent VI;
- (vi) with respect of the Concerned Products as specified in the Claims, although the revenue of the Concerned Products containing the Concerned Components represented a major part of our Group's revenue during the Track Record Period, as a result of the iteration and upgrade of products type/version and the increase of our Company's production capacity and sales of other products, our Company expects that revenue contributions attributable to the Concerned Products as specified in the Claims would not exceed 21.8% of our Group's expected revenue for the year of 2022, and 5.7% of our Group's expected revenue for the year of 2023. Our Directors expect that revenue contribution attributable to the Concerned Products as specified in the Claims will continue to decrease; and
- (vii) we have adopted a series of internal control measures to monitor our use of patents and prevent any future infringement. For details, please refer to the measures listed under "Business – Intellectual Property".

Patent Invalidation Applications

In February, 2022, we received three patent invalidation applications (the "**Patent Invalidation Applications**") against three of our patents, namely PRC Invention No. 201810541330.X granted in December 2018 on "Plastic film for current collector, current collector and its preparation method, pole piece, energy storage device* (集流體用塑料膜、集流體及其製備方法、極片、儲能裝置)" (the "**Invention Patent I**"), PRC Utility Model No. 202021387541.1 granted in December 2020, on "Battery (電池)" (the "**Utility Model Patent II**") and PRC Utility Model No. 202021280168.X granted in December 2020, on "Cover board structure of EV batteries and EV batteries* (動力電池蓋板結構及電池)" (the "**Utility Model Patent III**"). In April 2022, we received another two Patent Invalidation Applications against

two of our patents, namely PRC Utility Model No. 202022205524.8 granted in March 2021, on “Battery cover components and battery* (電池蓋板組件及電池)” (the “**Utility Model Patent IV**”) and PRC Utility Model No. 202020808599.2 granted in October 2020, on “Cover board structure of EV batteries and EV batteries with such structure* (動力電池蓋板結構及具有其的電池)” (the “**Utility Model Patent V**”).

In preparation of our Listing, we engaged V&T as our special IP counsel. Set out below is the analysis and views of V&T in respect of each of the Patent Invalidation Applications:

- *Invention Patent I*

The grant of Invention Patent I as an invention patent is subject to substantive examination by CNIPA, which has confirmed the novelty and inventiveness of Invention Patent I in compliance with the relevant provisions of the Patent Law of the PRC.

After verification of the evidence in relation to Invention Patent I submitted by the invalidation applicant, V&T is of the view that none of the evidence submitted by the invalidation applicant has the same technical feature as those of Invention Patent I, and hence Invention Patent I is novel and inventive. Based on the analysis above and that the Invention Patent I has passed both the preliminary and substantive examinations of the CNIPA, V&T is of the view that Invention Patent I is stable.

On April 25, 2022 (one day before the oral hearing in respect of the Patent Invalidation Application against Invention Patent I), we were verbally informed by Reexamination and Invalidation Department of CNIPA (國家知識產權局專利局複審和無效審理部) that the Patent Invalidation Application against Invention Patent I had been withdrawn by the applicant. On May 5, 2022, we received the notice for withdrawal of Patent Invalidation Application against Invention Patent I. Subsequently on June 20, 2022, we received notice of a new Patent Invalidation Application against Invention Patent I, to which we are in the process of preparing the response.

- *Utility Model Patents II, III, IV and V*

After verification of the evidence in relation to Utility Model Patents II, III, IV and V (collectively referred to as “**Utility Model Patents**”) submitted by the invalidation applicant, V&T is of the view that the scope of protection of Utility Model Patents are clear and unambiguous, and that none of the evidence submitted by the invalidation applicant has entirely the same technical feature as those of Utility Model Patents, and hence Utility Model Patents are novel and inventive. Based on the analysis above and that the Utility Model Patents have passed the preliminary examination of the CNIPA without any formal defects, V&T is of the view that Utility Model Patents are stable. On September 5, 2022, the Reexamination and Invalidation Department of CNIPA decided that the respective right claims of Utility Patent Model II and Utility Patent Model III were partly invalid and the aforesaid two patents shall

remain valid on the basis of the amended right claims submitted by our Company. As of the Latest Practicable Date, the Patent Invalidation Applications in respect of the other two Utility Model Patents were under review by the Reexamination and Invalidation Department of CNIPA.

Based on discussions with V&T, our Directors are of the view that (i) as the evidence submitted by the applicant does not reveal all the technical features of the above five patents and cannot support the argument that the relevant patents lack of novelty and creativity; and (ii) the five patents subject to the Patent Invalidation Applications are surrounding patents (“**Surrounding Patents**”), the technology solutions adopted in which are different from both the core technologies and the technology solutions used in the core patents. In addition, Invention Patent I and Utility Model Patents II, III, IV and V have not been practically applied in our Company’s products during the Track Record Period nor is it expected to be applied in our Company’s products in the future. Therefore, our Company has not generated and will not generate any revenue from the use of Invention Patent I and Utility Model Patents II, III, IV and V. Furthermore, our Company’s applications for such Surrounding Patents are mainly for defensive disclosure of technology solutions, and the validity of the Surrounding Patents will not affect our Company’s use of the Surrounding Patent’s technology solutions. Therefore, even if the Surrounding Patents were invalidated, it will not affect the validity of our Company’s core technology patents nor will it have an adverse effect on our Company’s actual production and operation.

Having considered the views of the Directors and V&T above and mainly after (i) discussing with the Company about the Patent Invalidation Applications the Company has received so far and reviewing the grounds in the applications, (ii) discussing with V&T and reviewing the legal analysis prepared by V&T on the IP rights concerned in the Patent Invalidation Applications, (iii) discussing with V&T, the Company and its PRC Legal Advisor to understand the details and applications of relevant patents and their significance to the business operation of the Group, and (iv) discussing with the PRC legal advisor to the Sole Sponsor on the search results of the review progress of relevant IP invalidation application through the inquiry system of CNIPA, nothing has come to the attention of the Sole Sponsor that would reasonably cause it to cast doubt on the reasonableness of the views of V&T above.

For risks relating to the Claims and the Patent Invalidation Applications, see “Risk Factors – Risks Relating to Our Industry and Business – We may be involved in intellectual property infringement claims and invalidation applications, which may be time-consuming and result in us bearing expenses.”

THE IMPACT OF THE COVID-19 PANDEMIC

Since the first quarter of 2020, the outbreak of COVID-19 has materially and adversely affected the global economy. In response, countries across the world, including the PRC government have implemented various anti-pandemic measures, including widespread restrictive measures, closure of workplace and restrictions on movement and travel, to contain the spread of the virus. As of the Latest Practicable Date, substantially all of the cities in China had eased or lifted domestic travel restrictions and resumed normal social activities, work and production.

The restrictive measures and other anti-pandemic measures have reduced the mobility of our employees, causing some of our employees to work remotely during early stages of the COVID-19 outbreak. In line with government guidelines, we have implemented various precautionary measures and adjusted our employee's work arrangements according to the relevant regulations and policies, which allows us to maintain a sufficient number of personnel at our production bases to continue our operation. We have been closely tracking the health and wellness status of our employees and we routinely check their body temperature before they enter our offices or production bases. As of the Latest Practicable Date, all of our employees have resumed their normal work arrangements.

To provide a safer work environment during the COVID-19 pandemic, we have adopted relevant contingency measures to ensure the health of our employees and hygiene of our work environment. We have a work group in place which is responsible for implementing relevant anti-pandemic measures according to different stages of the pandemic. We procure epidemic prevention materials, including masks and hand sanitizers for our employees, and every employee is required to wear a mask in the public area of the business premises. Each of our department is assigned with relevant instruments to check the body temperature of our employees and employees with abnormal body temperature are required to go to the hospitals nearby. During the Track Record Period and up to the Latest Practicable Date, we had no confirmed COVID-19 cases on our premises or among our employees. We have not encountered any suspension of work and production due to the COVID-19 pandemic.

Since the first quarter of 2020, the COVID-19 outbreak has imposed a significant adverse impact on the global economy. In order to provide a safe working environment during the COVID-19 pandemic, we have taken relevant emergency measures to ensure the health of our employees and the hygiene of the working environment. During the period immediately following the outbreak of the COVID-19 pandemic, our business was affected to some extent by the nation-wide pandemic prevention and control requirements and market demand, including some of our non-local employees, experienced certain delays in the resumption of work after the Spring Festival holiday in 2020, and some delays in the installation of coating machines (used to complete the coating process for battery cells of passenger NEV batteries) from our suppliers. However, our production had not been affected as we took corrective measures to reduce the adverse effects of such delays. For instance, to mitigate against the adverse impacts caused by the pandemic on our equipment supply, we asked relevant suppliers to assign more manpower to station on site for equipment installation/testing and related work. We also implemented plans to ensure no interruption of our production capacity, such as

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arranging sufficient employee on site. Therefore, our production and operation have not encountered any stoppage due to the outbreak of COVID-19. Moreover, as the COVID-19 outbreak was quickly brought under control in China, our production and operations were not materially affected.

Recently, with the outbreak of Omicron variant, the logistics in some regions have been affected to various degrees due to the pandemic. Please see “Risk Factors – Risks Relating to Our Industry and Business – Our business was and may be interrupted by the COVID-19 pandemic” for further details. However, as we made a plan and stocked materials in advance, our production and operation have not encountered any disruption, nor has our product delivery been substantively affected.

In response to the pandemic, our production planning department took the lead in formulating the “Emergency plan management procedure” to ensure that our production and operation plans are not interrupted. Through such procedure, we have adopted a series of identification, control and response policies, including policies for assessing possible impact of the pandemic on our production capacity and delivery schedule. Furthermore, in January 2021, we have established a regular rapid response mechanism to coordinate the resources of all relevant parties to jointly formulate the coping plan for preventing disruption in our production and operation during the pandemic.

Moreover, the environmental safety department took the lead in formulating the “Special emergency response plan for public health emergencies” to ensure the safety of personnel against epidemics. For specific prevention measures for COVID-19, please refer to the subsection headed “Employee training” in this section.

RELATIONSHIP WITH JINTAN GROUP

THE JINTAN GROUP

As of the Latest Practicable Date, Jinsha Investment, Huake Engineering, Huake Investment and Jintan International directly held in aggregate approximately 30.04% of our total Shares in issue.

Jinsha Investment is wholly owned by Jintan Holding. Each of Huake Engineering and Huake Investment is wholly owned by Jintan Hualuogeng, which is in turn owned as to 90% by Jintan Holding, which is a state-owned enterprise and directly wholly owned by the Government of Jintan District. The investment by Jintan International in our Company was made in accordance with the instructions of Jintan Holding and Jintan International exercises its voting rights in our Company in accordance with the instructions of Jintan Holding.

Immediately following the completion of the Global Offering and assuming no exercise of the Over-allotment Option, Jinsha Investment, Huake Engineering, Huake Investment and Jintan International will directly hold in aggregate approximately 25.53% of our total Shares in issue. Accordingly, Jintan Group will constitute a group of our largest Shareholders immediately upon Listing. As Jintan Group controls less than 30% of our total Shares in issue immediately upon Listing, it will no longer be our controlling shareholders (as defined under the Listing Rules) upon Listing.

BUSINESS DELINEATION AND COMPETITION

Overview

As of the commencement of Track Record Period, Luoyang Company was our initial controlling Shareholder, which held 30% equity interests in our Company. On April 22, 2019, Luoyang Company and Chengfei Integration entered into the conditional equity transfer agreement, pursuant to which, Luoyang Company agreed to transfer its 30% equity interest in our Company to Chengfei Integration. Upon completion of the aforesaid equity transfer, Luoyang Company ceased to be our Shareholder. In July 2019, Luoyang Company became a non-wholly owned subsidiary of our Company, in which we held 73.36% equity interests.

Luoyang Company and its subsidiaries are principally engaged in the design, R&D, production and sales of EV batteries and ESS products. In October 2021 and March 2022, our Company entered into a series of transactions, upon completion of which, our Company ceased to have any equity interest in Luoyang Company. For further details on the corporate development of Luoyang Company and the reasons of our disposal of Luoyang Company, please see “History, Development and Corporate Structure – Acquisition and Disposal of Luoyang Company” in this prospectus. As of the Latest Practicable Date, Luoyang Company is owned as to 51% by Jincheng Technology and 49% by Jinhang Holding. Our PRC Legal Advisor confirmed that Luoyang Company did not involve in any material non-compliance during the Track Record Period.

RELATIONSHIP WITH JINTAN GROUP

Business arrangement with Luoyang Company following its disposal

Entrusted processing arrangement

Following the disposal of Luoyang Company, our Company and Luoyang Company entered into the entrusted processing arrangement. The entering into of the entrusted processing arrangement with Luoyang Company was mainly due to the following reasons:

- (i) we are currently at the rapid growth stage. Along with the increase of client recognition and brand awareness, there will be a growing demand from our existing and new customers. During the Track Record Period, our utilization rate continued to remain close to full capacity. There will be a gap between our production capacities and our customers' demand for a certain period of time. As such, the entrusted processing arrangement with Luoyang Company is beneficial to the Group as the Group is able to utilize Luoyang Company's production capacity to meet the increasing demand of the Group's customers. Our own production capacity will also meet the ever-going demand of our customers increasingly;
- (ii) although we are constructing new production bases, there will generally be a construction cycle of 18-24 months before the mass production of our new production bases. Since Luoyang Company has accumulated experience in the production of commercial vehicles and ESS products and other products, the entrusted processing arrangement with Luoyang Company will be beneficial to maintain the continuity of our commercial vehicles and ESS business, and also enable us to better prepare for the release of production capacity and mass production and delivery in future;
- (iii) the civil production assets are located in the factory area of Luoyang Company, the relocation of which may result in temporary suspension of the normal production and operation of Luoyang Company as it may take approximately six to nine months to assemble, adjust and test the production lines after their relocation. As the production capacity of our new production sites will be released gradually, the suspension of normal production as a result of the relocation will lead to greater gap between supply and demand and we are unable to find substitute capacity to meet part of our customers' demand; and
- (iv) Luoyang Company and the controlling shareholders of Luoyang Company have already entered into a non-compete undertaking in favour of each member of our Group and undertook that Luoyang Company cannot engage in the business of manufacturing, research and development and sales of EV battery products for civil use and ESS products, unless our Company's demands for entrusted processing services for EV battery products and ESS products have been satisfied and an expressed consent have been obtained from our Company. Such undertaking can effectively avoid potential competition from Luoyang Company.

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In view of the above, our Directors believe that the current entrusted processing arrangement properly resolves the potential competition from Luoyang Company as a result of its disposal, protects the best interest of our Group and is on normal commercial terms and most practicably feasible. For the potential financial impact of the entrusted processing arrangement, our Directors expect that the gross profits attributable to the entrusted processing arrangement for the year ending December 31, 2022 will be approximately RMB149 million. Such gross profits are estimated based on (i) the production capacity of Luoyang Company; (ii) the product types processed by Luoyang Company under the needs of our Group's customers; (iii) the historical and forecasted selling price; and (iv) the cost-plus pricing under the entrusted processing arrangement. The expected revenue and gross profit margin to be generated by our Group from the entrusted processing arrangement with Luoyang Company for the year ending December 31, 2022 are expected to be approximately RMB3,629 million and approximately 4.1% respectively. The relatively low forecast gross profit margin generated from the sales of goods under the entrusted processing services arrangement with Luoyang Company in the year ending December 31, 2022 is mainly due to the lower selling price of products processed by Luoyang Company. Moreover, the price adjustment for part of products (i.e., EV battery for commercial vehicles and ESS products) processed by Luoyang Company needs a longer time because the term of the existing underlying contracts or the order cycle is long. For details of entrusted processing arrangement with Luoyang Company, please see the paragraph headed "Connected transactions – Non-exempt continuing connected transaction – 4. Entrusted Processing Framework Agreement" in this prospectus.

When there is an intended transfer of the production facilities to our Group, it involves the assets restructuring of Luoyang Company. Luoyang Company, being a company holding certain license in relation to the military industrial business, need to consult with and obtain approval from the State Administration of Science, Technology and Industry for National Defense. The transfer of such production facilities to our Group may also add complexity to the renewal procedures of Luoyang Company's license in relation to the military industrial business.

Production contracts

Luoyang Company's Incomplete Contracts

At the time of Luoyang Company's disposal, there were production contracts with 16 customers which were being performed by Luoyang Company (the "**Incomplete Contracts**") and will be completed within six months from the completion of Luoyang Company's disposal (the "**Transition Period**"). Immediately after our disposal of Luoyang Company in November 2021, our Group has initiated negotiations and discussions with the customers who signed contracts with Luoyang Company in respect of either transferring of the Incomplete Contracts to our Group or entering into the new production contracts with our Group after the Incomplete Contracts with Luoyang Company have been duly performed. Meanwhile, Luoyang Company continued to perform such Incomplete Contracts during the Transition Period. As of the Latest

RELATIONSHIP WITH JINTAN GROUP

Practicable Date, all the Incomplete Contracts for EV batteries for civil use and ESS products had been fully performed and 13 out of 16 customers of such Incomplete Contracts had entered into production contracts with our Group.

However, the transfer of such Incomplete Contracts is subject to consent and cooperation of the customers and depends on the individual circumstances of each such customer. Given that most of the Incomplete Contracts would be completed within the Transition Period, and the negotiation takes time, the customers generally considered the transfer of Incomplete Contracts not commercially viable, in particular, it is unduly burdensome for the ESS product customers to initiate a new bidding and tendering process for the same contracts which would be completed in half year time. As such, instead of transferring the Incomplete Contracts from Luoyang Company to our Group right after the disposal, the Luoyang Company's customers generally preferred to enter into new production contracts with our Group after the Incomplete Contracts with Luoyang Company have been duly performed. During the process of our Group's discussions and negotiations with the Luoyang Company's customers, Luoyang Company also used its best endeavour to facilitate the whole process and procure its customers to enter into production contracts with our Group after the Incomplete Contracts have been duly performed.

With regard to the Incomplete Contracts for EV batteries for civil use, given these Incomplete Contracts were entered into by Luoyang Company with the customers as our Group's agent, Luoyang Company received agency fees for the sale and our Group was entitled to recognize revenue from such Incomplete Contracts after the disposal of Luoyang Company. Meanwhile our Group incurred resultant agency expenses for such Incomplete Contracts after the disposal of Luoyang Company, which amounted to RMB471,000 for the period since the disposal of Luoyang Company and up to the Latest Practicable Date. As the Incomplete Contracts for EV batteries for civil use had been fully performed as of the Latest Practicable Date, no further agency expenses will be incurred by our Group going forward for such contracts.

With regard to the Incomplete Contracts for ESS products, the manufacture and sale of these products were solely conducted by Luoyang Company, there was no principal-agent relationship between our Group and Luoyang Company and thus our Group was not entitled to recognize revenue from such Incomplete Contracts after the disposal of Luoyang Company. The revenue generated from such Incomplete Contracts for ESS products after the disposal of Luoyang Company in November 2021 up to March 31, 2022 and subsequent to the Track Record Period were approximately RMB110.17 million and RMB20.28 million respectively and the gross profit attributable to the performance of the Incomplete Contracts for ESS products after the disposal of Luoyang Company in November 2021 up to March 31, 2022 and subsequent to the Track Record Period were approximately RMB2.29 million and approximately RMB(1.55) million, respectively. Such amount of revenue and gross profit were not earned by our Group after the disposal of Luoyang Company in November 2021.

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Given the above, the loss of revenue and gross profit on the Incomplete Contracts after the disposal of Luoyang Company is insignificant from our Group's perspective, and our Group considered the retention of such Incomplete Contracts by Luoyang Company after its disposal would not have any material impact on the business operation and financial performance of our Group.

Business cooperation of our Group with Luoyang Company's Customers after its disposal

As of the Latest Practicable Date, 45 out of 49 of Luoyang Company's customers for EV batteries for civil use and ESS products ("**Luoyang Company's Customers**") had entered into production contracts with our Group, and the aggregate contract amount of such production contracts entered into by our Group after the disposal of Luoyang Company in November 2021 up to March 31, 2022 and subsequent to the Track Record Period were approximately RMB527.18 million and RMB28.8 million, respectively. Our Group's revenue attributable to such 45 of Luoyang Company's Customers for the three years ended December 31, 2021 and three months ended March 31, 2022 were approximately RMB634.40 million, RMB772.51 million, RMB389.16 million and RMB252.89 million, respectively, while our Group's revenue attributable to the remaining four of Luoyang Company's Customers for the three years ended December 31, 2021 and three months ended March 31, 2022 were approximately RMB59.06 million, RMB27.08 million, RMB15.65 million and RMB10.75 million, respectively. After the disposal of Luoyang Company in November 2021 and up to March 31, 2022, our Group continued to record revenue from such Luoyang Company's Customers because the underlying Incomplete Contracts for EV batteries for civil use were entered into by Luoyang Company with the customers as our Group's agent. The newly signed production contracts between our Group and 45 Luoyang Company's Customers are on similar terms with the contracts entered into between those customers with Luoyang Company and do not involve products which utilise the relevant technologies concerning any of Patent II, Patent V or Patent VI.

With respect to the remaining four of Luoyang Company's Customers, as Luoyang Company together with its controlling shareholders have signed the non-competition undertaking (details of which are set out in the paragraph headed "Retained businesses and undertaking from Luoyang Company and its shareholders" in this section), our Company would enter into and perform the contracts with such customers in our own capacity if there is any subsequent business cooperation.

RELATIONSHIP WITH JINTAN GROUP

Potential impact on our Group as a result of the disposal of Luoyang Company

Our Group has adopted various measures to mitigate the impact on our Group as a result of the disposal of Luoyang Company. As a result of these measures, details of which are set out below, our Directors consider the disposal of Luoyang Company will not have a material adverse impact on our Group's operation and financial performance:

- (i) under the current circumstance, our Group's production capacities are inadequate to meet our customers' demand. The entrusted processing arrangement with Luoyang Company is beneficial to our Group as our Group is able to utilize Luoyang Company's production capacity to meet the increasing demand of our Group's customers. As our Group is expanding its production capacity, the contribution of our Group's own production capacity will gradually increase while the contribution of Luoyang Company's production capacity pursuant to the entrusted processing arrangement to our Group's total production capacity will reduce gradually going forward;
- (ii) Luoyang Company had transferred all necessary intellectual properties which are necessary to our Group's operation to our Group;
- (iii) Luoyang Company and all its shareholders have already entered into a non-competition undertaking in favour of each member of our Group and undertook that Luoyang Company cannot engage in the business of manufacturing, research and development and sales of EV battery products for civil use and ESS products, unless our Company's demand for entrusted processing services for EV battery products and ESS products has been satisfied and an expressed consent has been obtained from our Company. Such undertaking can effectively avoid potential competition from Luoyang Company. For further details, please refer to the paragraph headed "Retained businesses and undertaking from Luoyang Company and its shareholders" in this section;
- (iv) Luoyang Company agreed to use its best endeavour to procure Luoyang Company's Customers to enter into production contracts with our Group after their respective Incomplete Contracts have been duly performed. As of the Latest Practicable Date, 45 out of 49 of Luoyang Company's Customers had entered into production contracts with our Group, and the aggregate contract amount of such production contracts entered into by our Group after the disposal of Luoyang Company in November 2021 up to March 31, 2022 and subsequent to the Track Record Period was approximately RMB527.18 million and RMB28.8 million respectively; and
- (v) the loss of revenue and gross profit on the Incomplete Contracts after the disposal of Luoyang Company is insignificant from our Group's prospective, and as of the Latest Practicable Date, Luoyang Company's Incomplete Contracts for both EV batteries for civil use and ESS products had been completed.

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Retained businesses and undertaking from Luoyang Company and its shareholders

Save for the entrusted processing services of EV battery products for civil use and ESS products and the Incomplete Contracts which have been duly completed by June 2022, Luoyang Company no longer retains any business related to EV battery products for civil use and ESS products upon its disposal by our Company. Please see the section headed “Connected transactions” in this prospectus for further details in relation to the entrusted processing services arrangement. The retained businesses of Luoyang Company upon and subsequent to the Listing (the “**Retained Businesses**”) include:

- R&D, manufacturing and sales of EV batteries for military industrial use;
- provision of entrusted processing services of EV battery products for civil use and ESS products to our Group; and
- with our expressed consent, R&D, manufacturing and sales of EV battery products for civil use and ESS products.

Please see “Financial Information” of this prospectus for details of the financial results of Luoyang Company during the Track Record Period.

With regard to the Retained Businesses, Luoyang Company undertakes to our Company (for ourself and as trustee for the benefit of each member of our Group) the following:

- in respect of the entrusted processing business of EV battery and ESS products of Luoyang Company, Luoyang Company shall not engage in production, R&D and sales of EV battery products for civil use and ESS products, unless our demands have been satisfied and our expressed consent has been obtained;
- it shall comply with the obligations under the entrusted processing framework agreement entered into by it with our Company dated December 31, 2021; and
- it shall only use the patents jointly owned by it and our Company and our subsidiaries in the Retained Businesses, and unless prior written consent having been obtained from our Company, it shall not authorize or permit any third party to use such patents.

Each of Jincheng Technology, Jinhang Holding and Jintan Holding also undertakes to our Company (for ourself and as trustee for the benefit of each member of our Group) that, during the period Jintan Holding remains a controlling shareholder of Luoyang Company, it shall use its best endeavour to procure Luoyang Company (i) to honour its undertakings above and (ii) grant our Company the right of first refusal under same terms and conditions if Luoyang Company plans to dispose of any of its assets in relation to EV battery business for civil use and ESS business.

RELATIONSHIP WITH JINTAN GROUP

Delineation of business and competition

Our core business is design, R&D, production and sales of EV battery products for civil use and ESS products (the “**Core Businesses**”).

Our Directors consider that, upon and subsequent to the Listing, other than the processing services of EV battery products for civil use and ESS products provided to our Group, the Retained Businesses of Luoyang Company are not likely to compete, directly or indirectly, with our Core Businesses. Together with the non-compete undertakings given by Luoyang Company and Jincheng Technology in our favor, as well as the relevant provisions set out in the Non-Competition Agreement entered into between our Company and Jintan Group, our Directors are of the view that Luoyang Company’s Retained Businesses do not pose any material competition or potential competition with our Core Businesses. Upon Listing, we will continue to conduct certain continuing connected transactions with Luoyang Company and therefore, our Company has also entered into the entrusted processing framework agreement with Luoyang Company to govern the conduct of such continuing connected transactions after Listing. For details of such agreements and arrangement, please see the paragraph headed “Connected transactions – Non-exempt continuing connected transaction – 4. Entrusted Processing Framework Agreement” in this prospectus.

We have adopted and will further, where necessary, adopt appropriate enhanced measures to manage the conflict of interests between Jintan Group, our Directors, our Group and Shareholders as a whole. Please see “Corporate governance measures” in this section for details.

Jintan Group and our Directors confirm that as of the Latest Practicable Date, save as disclosed above, neither of them nor their respective close associates have any interest in any business, apart from the Core Businesses operated by members of our Group, that competes or is likely to compete, directly or indirectly, with the business of our Group and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM JINTAN GROUP

Having considered the following factors, our Directors believe that our Group is capable of carrying on our business independently from Jintan Group and their respective close associates after Listing.

Management Independence

Our business is managed and conducted by our Board and senior management. Upon the completion of Listing, our Board will consist of eight Directors, including two executive Directors, three non-executive Directors and three independent non-executive Directors. Please see “Directors, Supervisors and senior management” in this prospectus for details.

RELATIONSHIP WITH JINTAN GROUP

During the Track Record Period, Ms. Gao Yan, being the vice president of our Company, had been a director of Luoyang Company. Following our disposal of Luoyang Company, Ms. Gao Yan resigned as a director of Luoyang Company on March 23, 2022. After Ms. Gao Yan's resignation, save for the following members of our Board and senior management, there is no overlap of Directors and members of senior management between our Group and Jintan Group and their respective close associates:

Member of our Board or senior management	Role(s) in our Group	Role(s) in Jintan Group and their respective close associates
Mr. Zhou Sheng	Non-executive Director	<ul style="list-style-type: none"> • Executive director and legal representative of Jinsha Investment • Chairman of the board of directors and legal representative of Jintan Hualuogeng • Executive director and legal representative of Huake Investment • Executive director and legal representative of Changzhou Huakeyi Technology Investment Co., Ltd.* (常州華科易科技投資有限公司) • General manager, executive director and legal representative of Changzhou Huakerui Technology Investment Co., Ltd.* (常州華科瑞科技投資有限公司) • Executive director at Changzhou Huake Venture Capital Co., Ltd.* (常州華科創業投資有限公司) • Supervisor at Changzhou ECTEK Automotive Electronic Systems Co., Ltd.* (常州易控汽車電子股份有限公司), a company listed on National Equities Exchange and Quotations (全國中小企業股份轉讓系統) (stock code: 870930.OC) • Executive director and legal representative of Huake Engineering • Executive director and legal representative of Changzhou Jinsha Capital Management Co., Ltd.* (常州金沙資金管理有限公司)

RELATIONSHIP WITH JINTAN GROUP

Member of our Board or senior management	Role(s) in our Group	Role(s) in Jintan Group and their respective close associates
		<ul style="list-style-type: none"> • Director of Jiangsu Chengdong Construction Projects Co., Ltd.* (江蘇城東建設工程有限公司) • Executive Director and legal representative of Jiangsu Jiangnan Clean Energy Research Institute Co., Ltd.* (江蘇江南清潔能源研究院有限公司) • Executive Director and legal representative of Changzhou Huake Zhuolin Industrial Investment Co., Ltd.* (常州華科卓林實業投資有限公司) • General manager, executive director and legal representative of Changzhou Huakewo Industrial Investment Co., Ltd.* (常州華科沃實業投資有限公司)
Mr. Zhang Guoqing	Non-executive Director	<ul style="list-style-type: none"> • Executive director and legal representative of Changzhou Changjin Technology Investment Co., Ltd.* (常州常金科技投資有限公司) • Executive director and legal representative of Changzhou Zhongcheng Industrial Co., Ltd.* (常州眾成實業發展有限公司) • Executive Director and legal representative of Jiangsu Jintan Financial Guarantee Co., Ltd.* (江蘇金壇融資擔保有限公司) • Director of Jintan Hualuogeng

Our non-executive Directors, Mr. Zhou Sheng and Mr. Zhang Guoqing (the “**Overlapping Directors**”) serve as the members of the Board and participate in decision making of significant matters such as formulation of our general overall development strategies and corporate operation strategies but do not take part in the daily management of our Company. For further information about the technical knowledge, expertise and experience of the Overlapping Directors, please see “Directors, Supervisors and senior management” for their respective biographical details.

RELATIONSHIP WITH JINTAN GROUP

Save as disclosed above, none of our Directors and members of senior management of our Company holds any directorship and senior management positions in Jintan Group and their respective close associates. As our management team is different from that of Jintan Group, there are sufficient non-overlapping Directors who are independent from Jintan Group and possess relevant experience to ensure that the Board is able to perform its functions properly.

For the business of Luoyang Company after its disposal, Luoyang Company will provide entrusted processing services of EV battery products for civil use and ESS products for our Group, and unless satisfying our business demand and obtaining our expressed consent, Luoyang Company shall not engage in the business of R&D, manufacturing and sales of EV battery products for civil use and ESS products.

In light of the above arrangements, our Directors expect that there will not be any material conflict of interest involving Jintan Group. In the event of any conflict of interest arising, we believe we have sufficient and effective control measures to enable our Directors and senior management of our Company to discharge their duties independently and protect the interests of our Shareholders as a whole on the following grounds:

- Jintan Group has entered into the Non-Competition Agreement, pursuant to which each member of Jintan Group agrees not to compete, either directly or indirectly, with us and will notify us of any new business opportunities. The independent non-executive Directors will decide whether to take up or bid for the new business opportunities according to the relevant provisions of the Non-Competition Agreement.
- The decision-making mechanism of our Board set out in the Articles of Association already includes relevant provisions to avoid conflict of interest, including but not limited to, for example, in the event that conflict of interest arises and resolutions have been proposed for consideration and discussion in relation to a transaction with Jintan Group, our Directors connected to Jintan Group shall abstain from voting and shall not be counted in the quorum. Those resolutions are subject to the approval of more than half of our Directors attending the meeting who are independent in respect of the matter they are voting for.
- The two Directors who hold positions in Jintan Group or their respective associates are non-executive Directors, who, as the members of our Board, are responsible for making important decisions in respect of our general overall development strategies and corporate operation strategies but do not take part in the daily management of our Company. Our executive Directors and a team of experienced senior management members with a long employment history with our Group, all of whom are independent of Jintan Group or their respective associates and are our full-time employees, are responsible for the daily management of our Company.

RELATIONSHIP WITH JINTAN GROUP

- Neither our Directors or members of the senior management of our Company have any equity interests in Jintan Group or their respective associates, nor, save as the Overlapping Directors, have any of them received any remuneration, benefit and bonus from Jintan Group.
- Each of our Directors is aware of his/her fiduciary duties, which require, among others, that he/she acts for the benefit and in the best interests of our Company and does not allow conflict between his/her duties as a Director and his personal interests.
- We have three independent non-executive Directors who have extensive experience in different professions. They have been appointed pursuant to the requirements under the Listing Rules to ensure that the decisions of the Board are made only after due consideration of independent and impartial opinions. Our Directors believe that the presence of our independent non-executive Directors from different backgrounds provides a balance of views and opinions.
- We have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and Jintan Group which would support our independent management. Please see “Corporate governance measures” in this section for further details.

In light of the above, our Directors are satisfied with that our Board together with our senior management team as a whole is able to manage our business independently from Jintan Group and their respective close associates.

Operational Independence

We have established our own organizational structure comprising individual departments, each with specific areas of responsibilities. We have also established various internal control procedures to facilitate the effective operation of our business. Our Group is not operationally dependent on Jintan Group. Our Group holds or enjoys the benefit of all relevant licenses and owns all relevant intellectual property and R&D facilities necessary to carry on our business. We have sufficient capital, facilities, equipment and employees to operate our business independently from Jintan Group. We also have independent access to our customers and suppliers.

Apart from the transactions set out in the “Connected Transactions” in this prospectus, our Directors do not expect that there will be any other significant transactions between our Group and Jintan Group upon or shortly after the Listing. Based on the above, our Directors believe that we are capable of carrying on our business independently from Jintan Group and their respective close associates.

RELATIONSHIP WITH JINTAN GROUP

Financial Independence

Our Group has an independent financial system and makes financial decisions according to our Group's own business needs. Our Group's accounting and finance functions are independent of Jintan Group. During the Track Record Period, we primarily financed our business operation through cash generated from our business activities. As of the Latest Practicable Date, we did not have any outstanding borrowing or guarantee from Jintan Group or any of their respective close associates.

Having considered the above, we believe we are able to obtain external financing, when and if necessary, without guarantee or security provided by Jintan Group. Our Directors confirm that we will not rely on Jintan Group for financing after the Global Offering as we expect that our working capital will be funded from the Global Offering and cash flow from operations. Therefore, we are not financially dependent on Jintan Group and their respective close associates.

NON-COMPETITION AGREEMENT

Each of the member of Jintan Group (collectively, the “**Covenantors**” and each, a “**Covenantor**”) has entered into the Non-Competition Agreement, pursuant to which each of the Covenantors has, among other things, irrevocably and unconditionally undertaken, jointly and severally, with our Company (for ourselves and as the trustee for the benefit of each member of our Group) that during the Relevant Period (as defined below), the Covenantors shall not, and shall procure that their respective close associates (whether as a shareholder, director, officer, partner, agent, lender, employee, consultant or otherwise, or whether it is engaged for profits, remuneration or for other purposes) shall not in the PRC and Hong Kong directly or indirectly carry on, engage in, invest in, participate in, attempt to participate in, render any services to, provide any financial support to or otherwise be involved in the R&D, production and sales of EV batteries and ESS products for non-military industry and any business or investment activities which are the same as, similar to or in competition or likely to be in competition with any business carried on or expect to be carried on by any member of our Group from time to time (the “**Restricted Business**”) or be interested in the Restricted Business whether in the form of economy or otherwise, or whether alone or jointly with another person and whether directly or indirectly or on behalf of or to assist or act in concert with any other person, except for the following:

- (i) carrying on any Retained Business through Luoyang Company;
- (ii) holding any securities of any listed companies which conducts or is engaged in any Restricted Business through their interests in our Group;
- (iii) undertaking project(s) or otherwise be involved in any of the New Business Opportunities (as defined below) provided that the project or New Business Opportunities have been first offered to our Group but our Group has not taken it up; and

RELATIONSHIP WITH JINTAN GROUP

- (iv) through acquiring or holding any investment or interest in units or shares of any company, investment trust, joint venture, partnership or other entity in whatever form which conducts or engages in any Restricted Business where such investment or interest does not exceed 10% of the issued shares of such entity provided that (1) such investment or interest does not grant the Covenantors or their respective close associates any right to control the composition of the board of directors or managers of such entity, (2) none of the Covenantors or their respective close associates control the board of directors or managers of such entity and (3) such investment or interest does not grant the Covenantors or their respective close associates any right to participate directly or indirectly in such entity.

New Business Opportunities

In addition, each of Covenantors has further severally and jointly, irrevocably and unconditionally undertaken to our Company (on behalf of itself and as trustee for the benefit of each member of our Group) that it shall refer to and procure its close associates to refer to investment or business opportunity related to Restricted Business (“**New Business Opportunities**” and each, a “**New Business Opportunity**”) to our Company in the following manner:

- As soon as it becomes aware of any New Business Opportunity, gives written notice (the “**Offer Notice**”) to us identifying the target company (if relevant) and the nature of the New Business Opportunity, detailing all information available to it for our Company to consider whether to pursue such New Business Opportunity (including details of any investment or acquisition costs and the contact details of the third parties offering, proposing or presenting the New Business Opportunity).
- Our Company shall, as soon as practicable and in any case within 30 business days from the receipt of the Offer Notice (the “**Offer Notice Period**”) notify the relevant Covenantor in writing of any decision taken to pursue or decline the New Business Opportunity. During the Offer Notice Period, our Company may negotiate with the third party and the relevant Covenantor shall use its best endeavors to assist us in obtaining such New Business Opportunity on the same or more favorable terms.
- As confirmed by the respective Covenantors, our Company is required to seek approval from our Directors who do not have a material interest in the New Business Opportunities and the resolution need to be passed by more than half of the voting rights held by such Directors as to whether to pursue or decline the New Business Opportunity, the Directors who have a material interest in the New Business Opportunity shall abstain from voting. In accordance with the requirements under the Listing Rules, if the appointment of an independent financial advisor is required, our Company shall appoint an independent financial advisor to advise on the terms of the transaction in the subject matter of such New Business Opportunity.

RELATIONSHIP WITH JINTAN GROUP

- The relevant Covenantor may, at its absolute discretion, consider extending the Offer Notice Period as appropriate.
- The relevant Covenantor is entitled but not obliged to carry on, engage, invest, participate or be interested (economically or otherwise) in the New Business Opportunity (whether individually or jointly with another person and whether directly or indirectly or on behalf of or to assist any other person) on the same, or less favorable, terms and conditions in all material respects as set out in the Offer Notice if:
 - (i) it has received a written notice from us declining the New Business Opportunity; or
 - (ii) it has not received any written notice from us of our decision to pursue or decline the New Business Opportunity within 30 business days from our receipt of the Offer Notice, or any extended Offer Notice Period, in which case our Company shall be deemed to have declined the New Business Opportunity.
- If there is a change in the nature or proposal of the New Business Opportunity pursued by the relevant Covenantor, it/he/she shall refer the New Business Opportunity as revised and shall provide to us details of all available information for us to consider whether to pursue the New Business Opportunity as revised.

Under the Non-Competition Agreement, each of the Covenantors has further irrevocably and unconditionally undertaken jointly and severally, with us the following:

- (i) the Covenantors shall provide, and shall procure their close associates to provide, during the Relevant Period (as defined below), where necessary and at least on an annual basis, all information necessary for the review by our independent non-executive Directors, subject to any relevant laws, rules and regulations or any contractual obligations, to enable them to review the Covenantors' and their close associates' (other than members of our Group) compliance with the Non-Competition Agreement, and to enable the independent non-executive Directors to enforce the Non-Competition Agreement;
- (ii) the Covenantors shall provide to us with an annual declaration for inclusion in our annual report, in respect of their compliance with the terms of the Non-Competition Agreement;
- (iii) the Covenantors have agreed and authorized us to disclose decisions on matters reviewed by the independent non-executive Directors relating to the compliance and enforcement of the Non-Competition Agreement, either through our annual reports or by way of public announcements; and

RELATIONSHIP WITH JINTAN GROUP

- (iv) each of the Covenantors undertakes to abstain from voting or it will not be counted in quorum in any of the Shareholders' meeting of our Company when voting on the matters that are contemplated under the Non-Competition Agreement and any matter that may be in conflict or cause actual or potential conflicts.

For the purposes of the above, the "Relevant Period" means the period commencing from the Listing Date and shall expire on the earlier of (i) the date when the Covenantors and any of their respective close associates (as the case may be), whether directly or indirectly held, or otherwise are interested in aggregate, which make them cease to be the single largest Shareholder of our Company or (ii) the date on which our Shares cease to be listed on the Stock Exchange (except for temporary suspension of trading of our Shares).

Compensation Arrangement

The parties to the Non-Competition Agreement further agreed that the following major principles shall be applied in respect of the difference between the valuation of Luoyang Company as of December 31, 2020 (the "**2020 Valuation**") and as of December 31, 2021 (the "**2021 Valuation**");

- (i) with respect to the consideration of 51% equity interests of Luoyang Company disposed by our Company to Jincheng Technology in November 2021 (being RMB1,530 million and determined with reference to the 2020 Valuation, our Company shall compensate Jincheng Technology in the amount of RMB397.80 million (being the difference between the 2020 Valuation and the 2021 Valuation multiple by 51%); and
- (ii) our Company and Jincheng Technology shall enter into a supplemental agreement in respect of the compensation arrangement mentioned in paragraph (i) above.

Please see "History, Development and Corporate Structure – Acquisition and Disposal of Luoyang Company" of this prospectus for the reasons for implementing the compensation arrangement and details the supplemental agreement entered into between our Company and Luoyang Company in respect of the compensation arrangement.

CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance in protecting our Shareholders' interests. We have put in place sufficient corporate governance measures to manage the conflict of interest and potential competition from Jintan Group and safeguard the interest of the Shareholders, including:

- (1) our independent non-executive Directors will review, at least on an annual basis, whether there is any conflict of interest between our Group and Jintan Group and provide impartial and professional advice to protect the interests of our minority Shareholders;
- (2) our independent non-executive Directors will review the compliance with the undertakings under the Non-Competition Agreement on an annual basis;

RELATIONSHIP WITH JINTAN GROUP

- (3) our Company will disclose decisions on matters (if any) reviewed by our independent non-executive Directors (including our independent non-executive Directors' views and decisions (with basis) for accepting or declining any New Business Opportunities) and will confirm whether the undertakings in the Non-Competition Agreement have been fulfilled in the annual reports of our Company or in the announcement under the Listing Rules;
- (4) where a Shareholders' meeting is to be held for considering proposed transactions in which Jintan Group or any of his close associates has a material interest, Jintan Group will not vote on the resolutions and shall not be counted in the quorum in the voting;
- (5) our Company has established internal control mechanism to identify connected transactions. After the Listing, our Company will comply with the requirements in connection with connected transactions under the Listing Rules;
- (6) where our Directors reasonably request the advice of independent professionals, such as independent financial advisors, the appointment of such independent professional will be made at our Company's expense;
- (7) we have appointed Maxa Capital Limited as our compliance advisor to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance; and
- (8) we will establish the audit committee, remuneration committee and nomination committee prior to the Listing with written terms of reference in compliance with the Listing Rules and the Corporate Governance Code.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between Jintan Group and their respective close associates and our Group and to protect the interests of our Shareholders, in particular, the minority Shareholders.

CONNECTED TRANSACTIONS

Following the Global Offering, the transactions between our Company and our connected persons will constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

CONNECTED PERSONS

The table below sets forth certain parties who will become our connected persons upon Listing and the nature of their relationships with our Company:

Connected person	Connected relationship
Jinyuan Investment	a Substantial Shareholder and therefore a connected person of our Company
Luoyang Company	a company owned as to 49% by Jinhang Holding and 51% by Jincheng Technology. Jincheng Technology is wholly owned by Jintan Holding, being a Substantial Shareholder, and hence an associate of Jintan Holding and a connected person of our Company
CALB USA INC (“ CALB USA ”)	a company owned as to 40% by Luoyang Company and hence an associate of Jintan Holding and therefore a connected person of our Company
Jiangsu Chengdong Construction Projects Co., Ltd.* (江蘇城東建設工程有限公司) (“ Jiangsu Chengdong Construction ”)	a company owned as to approximately 54.18% by Changzhou Zhongcheng Industrial Co., Ltd.* (常州眾成實業發展有限公司), which is wholly owned by Jinsha Investment, being a Substantial Shareholder, and therefore an associate of Jinsha Investment and a connected person of our Company
Changzhou City Jintan District Dongli New Energy Technology Development Co., Ltd.* (常州市金壇區東鋰新能源科技發展有限公司) (“ Dongli New Energy Technology ”)	a wholly-owned subsidiary of Jiangsu Chengdong Construction, therefore an associate of Jinsha Investment and a connected person of our Company

CONNECTED TRANSACTIONS

SUMMARY OF OUR CONNECTED TRANSACTIONS

The following table sets forth a summary of the continuing connected transactions of our Company:

Nature of transactions	Applicable Listing Rules	Waiver sought
<i>Fully-exempt Continuing Connected Transaction</i>		
1. Guarantee provided by Jinyuan Investment to Xiamen Company	14A.90	N/A
<i>Partially-exempt Continuing Connected Transaction (subject to reporting and announcement requirements)</i>		
2. Sales Framework Agreement	14A.35 14A.53 14A.76(2) 14A.105	Announcement
<i>Non-exempt Continuing Connected Transactions (subject to reporting, annual review, announcement and independent Shareholders' approval requirements)</i>		
3. Entrusted Processing Framework Agreement	14A.35 14A.36 14A.46 14A.49 14A.52 to 14A.59 14A.71 14A.105	Announcement, circular, independent Shareholders' approval
4. General Contracting Agreements for Construction Projects	14A.35 14A.36 14A.46 14A.49 14A.52 to 14A.59 14A.71 14A.105	Announcement, circular, independent Shareholders' approval

CONNECTED TRANSACTIONS

FULLY-EXEMPT CONTINUING CONNECTED TRANSACTION

1. Guarantee provided by Jinyuan Investment to Xiamen Company

On March 5, 2021 and January 26, 2022, Jinyuan Investment entered into guarantee agreements in favour of a group of six banks (the “**Guarantee**”) respectively to secure the due performance of two loan agreements for a principal amount of RMB2.5 billion each entered into by Xiamen Company (a wholly-owned subsidiary of our Company) (the “**Xiamen Company Loans**”), the details of which are set forth below:

Maximum total principal amount of guarantee liability of Jinyuan Investment in respect of each of the Xiamen Company Loans	:	RMB2 billion being 80% of the principal amount of each of the Xiamen Company Loans
Maximum total principal amount of guarantee liability of our Company in respect of each of the Xiamen Company Loans	:	RMB500 million being 20% of the principal amount of each of the Xiamen Company Loans
Term of the Xiamen Company Loans	:	8 years
Annual interest rate of the Xiamen Company Loans	:	The loan prime rate for loans with a maturity of more than 5 years announced by the National Interbank Funding Center on the business day preceding the date on which interests are calculated minus 0.24% and 0.40% for the Xiamen Company Loan granted in March 2021 and Xiamen Company Loan granted on January 2022, respectively
Use of proceeds of the Xiamen Company Loans	:	It is utilised by Xiamen Company in our Xiamen production base
Guarantee period	:	For a period commencing from the date of entering into the guarantee agreement to three years after the expiration of repayment obligation by Xiamen Company under the respective loan agreement

CONNECTED TRANSACTIONS

Reasons for and benefits of entering into the Guarantee and continuing the same upon and subsequent to Listing

Xiamen Company Loans have provided us as separate financing channel and we do not intend to discharge the aforementioned guarantee prior to its full redemption or repayment for the following reasons: (i) Xiamen Company Loans are a commercial arrangement beneficial to our Company; and (ii) it would be unduly burdensome or commercially undesirable to amend the terms of Xiamen Company Loan agreements.

Our Directors believe that we have sufficient funds to operate our business independently and we are able to obtain other financing from third parties without relying on Jinyuan Investment or other connected person to provide guarantee or security.

The arrangement in respect of the respective guarantee obligation provided by Jinyuan Investment and our Company was set out in the cooperation agreement entered into between our Company and Jinyuan Investment in relation to the Xiamen production base, which is due to the commercial negotiation and arrangement between the two parties.

Listing Rules Implications

The Guarantee provided by Jinyuan Investment in favour of our Group constitutes financial assistance received by our Group from our connected person, which are on normal commercial terms or better to our Group, and no security over our assets has been granted to Jinyuan Investment in respect of the provision of the Guarantee. Therefore, pursuant to Rule 14A.90 of the Listing Rules, the Guarantee provided by Jinyuan Investment in favor of our Group will be fully exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

PARTIALLY-EXEMPT CONTINUING CONNECTED TRANSACTION

2. Sales Framework Agreement

On April 6, 2022, our Company entered into the sales framework agreement (the “**Sales Framework Agreement**”) with CALB USA as our distributor in the USA, pursuant to which our Group will sell EV batteries to CALB USA for a term of one year commencing from the date of the Sales Framework Agreement. Our Group and CALB USA will enter into specific sales agreement in respect of each transaction. The principal terms of the Sales Framework Agreement and the specific sales agreement are summarized as follows:

Principal terms

Parties : (1) Our Company; and
(2) CALB USA

CONNECTED TRANSACTIONS

Duration	:	One year commencing from the date of the Sales Framework Agreement
Nature of transaction	:	Our Company will sell EV batteries to CALB USA
Pricing policy	:	The sales prices for EV batteries are determined with reference to the sales price to our domestic clients and taking into account of the price premium of the U.S. market
Terms of payment	:	100% prepaid by telegraphic transfer
Condition of delivery	:	Cost, insurance and freight (“CIF”)

Historical amounts

For the years ended December 31, 2019, 2020 and 2021 and three months ended March 31, 2022, the total amount we received from CALB USA in respect of the sales of EV batteries was approximately RMB28.9 million, RMB41.2 million, RMB56.7 million and RMB10.8 million, respectively.

Annual cap and basis for annual cap

Our Directors estimate that the revenue to be received by our Company from CALB USA will not exceed RMB60 million for the year ending December 31, 2022.

In determining abovementioned proposed annual cap, our Directors have considered the historical amount of the sales of EV batteries by our Group to CALB USA and their relative average historical selling prices. The proposed annual cap under the Sale Framework Agreement for the year ending December 31, 2022 was calculated by using estimated sales volume of CALB USA for the year of 2022 multiplied by the expected average selling price (which is determined with reference to the historical average selling price) for the year of 2022. As of June 30, 2022, the amount of realized sales and confirmed order to CALB USA was approximately RMB40.7 million, representing 67.8% of the proposed annual cap.

Reasons for and benefits of entering into the Sales Framework Agreement

Our Directors are of the view that the transactions under the Sales Framework Agreement are to the benefit of our Company because (i) during the Track Record Period, CALB USA has been selling our EV batteries in the U.S., therefore, it has thorough understanding of our products; and (ii) both sides have established a mutual trust relationship during the past cooperation. It takes time to find suitable substitute in the market with mutual trust, and therefore it is cost-effective to continue cooperation, which is mutually beneficial for both parties.

CONNECTED TRANSACTIONS

Listing Rules implications

As one or more of the percentage ratio of the transaction under the Sales Framework Agreement for the year ending December 31, 2022 is expected to be more than 0.1% but less than 5%, such transaction will, upon Listing, constitute continuing connected transaction of our Company and be subject to the reporting, annual review and announcement requirements but exempt from the circular and the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Waiver Application

As the Sales Framework Agreement will continue after the Listing on a recurring basis and is expected to extend over a period of time, our Directors consider that strict compliance with the announcement requirement under the Listing Rules would be burdensome and would impose unnecessary administrative costs on our Company each time such transaction arises. Accordingly, pursuant to Rule 14A.105 of the Listing Rules, we have applied for, and the Stock Exchange has granted to us, a waiver from strict compliance with the announcement requirement under Chapter 14A of the Listing Rules in respect of the Sales Framework Agreement.

NON-EXEMPT CONTINUING CONNECTED TRANSACTION

3. Entrusted Processing Framework Agreement

On 31 December, 2021, Luoyang Company entered into the entrusted processing framework agreement with our Company, which was amended by a supplemental agreement dated March 3, 2022 (the “**Entrusted Processing Framework Agreement**”), pursuant to which our Company agrees to entrust Luoyang Company and Luoyang Company agrees to provide processing services of EV battery products for civil use and ESS products (collectively referred to as “**Lithium Batteries**”) for our Company for a term of one year commencing from January 1, 2022 and ending on December 31, 2022. Our Group and Luoyang Company will also enter into specific entrusted processing agreement in respect of the detailed terms of the processing services. The principal terms of the Entrusted Processing Framework Agreement and the specific entrusted processing agreement are summarized as follows:

Principal terms

Parties	:	(1) Our Company; and (2) Luoyang Company
Duration	:	One year commencing from January 1, 2022 and ending on December 31, 2022

CONNECTED TRANSACTIONS

- Nature of transaction : We entrust Luoyang Company for the provision of processing service of Lithium Batteries. Luoyang Company will be responsible for the raw materials, front line workers and technicians whose licences and qualifications are approved by us and completing the production and processing.
- Pricing policy : The fees to be paid for Lithium Batteries are determined with reference to the cost of processing and producing Lithium Batteries and the prevailing market price of processing services in the same or proximity areas charged by independent third parties.
- Payment terms : We shall pay Luoyang Company in the following manner:
- (1) prepayment of 60% of the total purchase amount in the last month of each quarter, the amount of which is determined based on the order amount forecasted for the following quarter; and
 - (2) the remaining 40% of the total purchase amount shall be paid on a monthly basis, which is determined based on the verified number of finished goods actually delivered to us.
- Quality control : Luoyang Company has the obligation to inspect the finished goods according to our quality control standards requirements.
- Licensing of patent : We grant Luoyang Company the right to use our certain specified patents (“**Authorized Patents**”) which are necessary for its provision of Lithium Batteries processing services. In this connection, Luoyang Company undertakes to only use the Authorized Patents for the purpose of the Lithium Batteries processing services under the Entrusted Processing Framework Agreement and that it shall not be entitled to use the Authorized Patents for other purposes unless prior written consent is obtained from us.
- Ownership of intellectual property rights : The intellectual property right(s) and the right(s) to apply for patents in relation to all documents, certificates, drawings and information provided by us and arising from performing the specific entrusted processing agreement shall belong to us.

CONNECTED TRANSACTIONS

- Confidentiality : Both parties shall keep trade secrets and confidential information obtained during the cooperation confidential (“**Confidential Information**”). Both parties are considered as the receiving and disclosing parties of the Confidential Information. The receiving party (i) shall keep proper custody of various documents provided by the disclosing party, including but not limited to technical information, technical plan, drawings, quantity and price for processing; (ii) shall return the same back to the disclosing party or destroy the same after completion of usage or upon the request of the disclosing party; and (iii) shall not deal the same at its own discretion without the written consent of the disclosing party.
- Warranties and undertakings by Luoyang Company : Luoyang Company undertakes to our Company that:
- (1) save and except for the contracts which already existed and valid before the date of the Entrusted Processing Framework Agreement, it shall not provide the processing services to any third parties nor shall it manufacture any Lithium Batteries for its own sales in the case where it has any surplus production capacities;
 - (2) during the term of the Entrusted Processing Framework Agreement, it shall use existing product lines and facilities to fulfill its obligations thereunder, and it shall not expand the production capacities for Lithium Batteries unless the expansion is necessary for meeting our demands and a written consent from us having been obtained; and
 - (3) prior to the expiry of the Entrusted Processing Framework Agreement, if Jintan Holding intends to dispose of all or part of its equity interests in Luoyang Company or Luoyang Company intends to dispose of its major assets or business in relation to Lithium Batteries, it shall inform us in a timely manner and we shall have the right of refusal under the same terms and conditions.

Historical amount

For the three years ended December 31, 2021 and three months ended March 31, 2022, the total service fees incurred from entrusted processing services provided by Luoyang Company were nil, nil, approximately RMB206.70 million and approximately RMB690.5 million, respectively.

CONNECTED TRANSACTIONS

Annual cap and basis for annual cap

Our Directors estimate that the fees to be incurred under the Entrusted Processing Framework Agreement will not exceed RMB3,500 million for the year ending December 31, 2022.

In determining such proposed annual cap, our Directors have considered (i) the cost of processing and producing EV batteries for civil use and ESS products; (ii) the prevailing market price for the provision of processing service in the same or proximity areas; (iii) the expected production capacity of Luoyang Company; (iv) the historical growth rate of the sales of our EV batteries for civil use and ESS products and estimated demands and growth sales of our EV batteries for civil use and ESS products in the coming year; and (v) our expected production capacity and utilization. The proposed annual cap under the Entrusted Processing Framework Agreement for the year ending December 31, 2022 was calculated by using the expected total sales volume under the Entrusted Processing Framework Agreement (i.e., 4.53GWh, which was significantly higher than production capacity of Luoyang Company in 2021, given the production capacities of the five production lines upgraded in 2020 and 2021 which commenced production in the second and third quarters of 2021 were fully released in 2022. The five production lines being upgraded in 2020 and 2021 are for the manufacture of EV batteries and ESS products and with the upgrading of the production lines, the production efficiency of Luoyang Company can be improved and the types of products which Luoyang Company manufactures can be diversified. Save for the manufacture of military products, the expanded production capacities of Luoyang Company are solely for the use of our Group under the Entrusted Processing Framework Agreement) multiple by the selling price charged by Luoyang Company (which is determined with reference to the principle of the market fair price of relevant products deducting the markup on purchase cost). As of June 30, 2022, we incurred total service fee and had confirmed order on hand for entrusted processing service provided by Luoyang Company of approximately RMB2,890 million, representing 82.6% of the annual cap under the Entrusted Processing Framework Agreement for the year ending December 31, 2022. As such, our Directors believe that expected total sales volume under the Entrusted Processing Framework Agreement for the year ending December 31, 2022 can be achieved.

As our Group is expanding its production capacity, the contribution of our Group's own production capacity will gradually increase while the contribution of Luoyang Company's production capacity pursuant to the entrusted processing arrangement to our Group's total production capacity will reduce gradually going forward and thus our Group's use of the entrusted processing services provided by Luoyang Company as a proportion of our sales volume will also reduce in the future.

CONNECTED TRANSACTIONS

Reasons for and benefits of entering into the Entrusted Processing Framework Agreement

In October 2021 and March 2022, there has been a series of equity changes in Luoyang Company, and upon completion of which, our Company ceased to have any interest in Luoyang Company. As of the Latest Practicable Date, Luoyang Company is owned as to 49% by Jinhang Holding and 51% by Jincheng Technology, a wholly owned subsidiary of Jintan Holding. Please see “History, Development and Corporate Structure – Acquisition and Disposal of Luoyang Company” in this prospectus for further details. To ensure delineation of business and non-competition between our Company and Luoyang Company, we enter into the Non-Competition Agreement with Jintan Group. In addition, we also entered into the Entrusted Processing Framework Agreement with Luoyang Company in order to govern the further entrusted processing arrangement between our Company and Luoyang Company. Please see “Relationship with Jintan Group – Business arrangement with Luoyang Company following its disposal” for the reasons for entering into the entrusted processing arrangement with Luoyang Company.

Our Directors are of the view that the transactions under the Entrusted Processing Framework Agreement are to the benefit of our Company because (i) while our Group is committed to building our own production lines to increase our production capacity, it takes time to achieve our planned production capacity. It is expected that our effective production capacity will be expanded to approximately 35GWh^{Note} and approximately 90GWh^{Note} in 2022 and 2023, respectively. At the current stage, our current production capacity for manufacturing the EV batteries for civil use and ESS products is insufficient to meet the current and increasing demands of our customers. Based on the customer demand for the year of 2022 and the estimated demand for which our Group has to produce in advance for delivery in 2023, our Group’s production volume will have to reach at least 30.01GWh for the year of 2022; and the estimated production volume of our Group for the year of 2022 is expected to be 25.54GWh only (without taking into account of the production capacity from the entrusted processing arrangement), meaning there is an expected shortfall of 4.47GWh of production volume; (ii) Luoyang Company as well as the shareholders of Luoyang Company have already entered into a non-compete undertaking in favour of each member of our Group and undertook that Luoyang Company cannot engage in the business of manufacturing, research and development and sales of EV battery products for civil use and ESS products, unless our Company’s demands for entrusted processing services for EV battery products and ESS products have been satisfied and an expressed consent have been obtained from our Company. Such undertaking can effectively avoid potential competition from Luoyang Company; (iii) entrusted processing arrangement between our Company and Luoyang Company can, on the one hand, supplement our Company’s current production capacities by utilizing the production capacities of Luoyang Company to meet the increasing demand of our Group’s customers and, on the other hand, it is conducive to Luoyang Company in respect of the delivery of delineated orders; and (iv) it is not easy to find a substitute for provision of processing service of EV batteries for civil use and ESS products in the market with similar quality, price, production capacity and cultivated trust and understanding.

Note: Including 5GWh effective production capacity of the Luoyang Company under the entrusted processing arrangement if such entrustment arrangement is adopted.

CONNECTED TRANSACTIONS

Listing Rules implications

As the percentage ratio of the transactions under the Entrusted Processing Framework Agreement for the year ending December 31, 2022 is expected to exceed 5%, such transactions will, upon Listing, constitute continuing connected transactions of our Company and be subject to the reporting, annual review, announcement and the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Waiver Application

As the Entrusted Processing Framework Agreement will continue after the Listing on a recurring basis and is expected to extend over a period of time, our Directors consider that strict compliance with the announcement and Shareholders' approval requirement under the Listing Rules would be burdensome and would impose unnecessary administrative costs on our Company each time such transaction arises. Accordingly, pursuant to Rule 14A.105 of the Listing Rules, we have applied for, and the Stock Exchange has granted to us, a waiver from strict compliance with the announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the Entrusted Processing Framework Agreement.

4. The General Contracting Agreements for Construction Projects

The members of our Group, as the developer and Jiangsu Chengdong Construction as the contractor, entered into certain general contracting agreements for construction projects pursuant to which, Jiangsu Chengdong Construction will provide the general contracting services for design, procurement, and construction for certain industrial parks or buildings of our Group.

(1) General Contracting Agreement for Construction Projects I

On December 15, 2020, our Company and Jiangsu Chengdong Construction entered into a general contracting agreement for construction projects (as varied by a tripartite agreement entered into between our Company, Jiangsu Company and Jiangsu Chengdong Construction on January 10, 2022) (the “**General Contracting Agreement for Construction Projects I**”), the principal terms of which are summarized as follows:

Parties	:	(1) Jiangsu Company and (2) Jiangsu Chengdong Construction
Construction project	:	the industrial park of our Company
Estimated construction period	:	521 days

CONNECTED TRANSACTIONS

Nature of the transaction : Jiangsu Chengdong Construction shall provide the general contracting services for design, procurement and construction of the industrial park of our Company, and shall be fully responsible for the quality, safety, construction period, cost, etc. of the general contracted construction project and deliver a qualified construction project after having passed completion acceptance.

Total contract sum : Approximately RMB232.80 million

(2) General Contracting Agreement for Construction Projects II

On September 30, 2021, Jiangsu Research Institute and Jiangsu Chengdong Construction entered into a general contracting agreement for construction projects (the “**General Contracting Agreement for Construction Projects II**”), the principal terms of which are summarized as follows:

Parties : (1) Jiangsu Research Institute and
(2) Jiangsu Chengdong Construction

Construction project : laboratory building of Jiangsu Research Institute

Estimated construction period : 720 days

Nature of the transaction : Jiangsu Chengdong Construction shall provide the general contracting services for design, procurement and construction of a laboratory building of Jiangsu Research Institute, and shall be responsible for the quality, safety, construction period, cost, etc. of the general contracted construction project and deliver a qualified construction project after having passed completion acceptance.

Total contract sum : Approximately RMB85.65 million

(3) General Contracting Agreement for Construction Projects III

On April 29, 2021, Jiangsu Company and Jiangsu Chengdong Construction entered into a general contracting agreement for construction projects (the “**General Contracting Agreement for Construction Projects III**”), the principal terms of which are summarized as follows:

Parties : (1) Jiangsu Company and
(2) Jiangsu Chengdong Construction

Construction project : the newly established EV batteries project of our Company

Estimated construction period : 574 days

CONNECTED TRANSACTIONS

Nature of the transaction	:	Jiangsu Chengdong Construction shall provide the general contracting services for design, procurement and construction for of the newly established EV batteries project and shall be fully responsible for the quality, safety, construction period, cost, etc. of the general contracted construction project and deliver a qualified construction project after having passed completion acceptance.
Total contract sum	:	Approximately RMB1,138.10 million

(4) General Contracting Agreement for Construction Projects IV

On August 27 2021, Jiangsu Company and Jiangsu Chengdong Construction entered into a general contracting agreement for construction projects (the “**General Contracting Agreement for Construction Projects IV**”), the principal terms of which are summarized as follows:

Parties	:	(1) Jiangsu Company and (2) Jiangsu Chengdong Construction
Construction project	:	the production and living facilities of the newly established EV batteries project of our Company
Estimated construction period	:	720 days
Nature of the transaction	:	Jiangsu Chengdong Construction shall provide the general contracting services for design, procurement and construction of Company production and living facilities of the newly established EV batteries project and shall be fully responsible for the quality, safety, construction period, cost, etc. of the general contracted construction project and deliver a qualified construction projects after having passed completion acceptance.
Total contract sum	:	Approximately RMB747 million

Pursuant to the General Contracting Agreement for Construction Projects I, General Contracting Agreement for Construction Projects II, General Contracting Agreement for Construction Projects III and General Contracting Agreement for Construction Projects IV (collectively the “**General Contracting Agreements for Construction Projects**”), our Group shall make payment to Jiangsu Chengdong Construction according to the time frame and the progress of the respective construction project.

CONNECTED TRANSACTIONS

Pricing policy

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

Historical amounts

For the three years ended December 31, 2021 and three months ended March 31, 2022, the fees incurred from services provided by Jiangsu Chengdong Construction to our Group, including the general contracting services of design, procurement and construction of the Group's certain industrial parks or buildings were nil, nil, approximately RMB1,058.13 million and RMB159.0 million, respectively.

Annual caps and the basis of annual caps

The Directors estimate that the fees to be incurred by our Group (excluding taxes) under the General Contracting Agreements for Construction Projects for the two years ending December 31, 2023 will not exceed RMB617.23 million and RMB357.75 million, respectively.

In determining the proposed annual caps, our Directors have considered (i) the contract sum of the relevant construction projects as provided under the General Contracting Agreements for Construction Projects and (ii) the expected completion dates of the relevant construction projects.

Reasons for and Benefits of Entering into General Contracting Agreements for Construction Projects

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

Listing Rules implications

Our Company or our wholly-owned subsidiaries entered into General Contracting Agreements for Construction Projects within a 12-month period in relation to our Group's procurement of general contracting services including design, procurement and construction from the same connected person. Accordingly, the transactions contemplated under the General Contracting Agreements for Construction Projects shall be aggregated and treated as one transaction for the purpose of calculating the percentage ratio of the continuing connected transactions pursuant to Rule 14A.81 of the Listing Rules.

CONNECTED TRANSACTIONS

As the maximum percentage ratio of the estimated aggregated fees to be incurred (excluding taxes) under the General Contracting Agreements for Construction Projects for the two years ending December 31, 2023 is expected to exceed 5%, the relevant transactions will, upon Listing, constitute continuing connected transactions of our Company, and be subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Waiver Application

As the General Contracting Agreements for Construction Projects will continue after the Listing on a recurring basis and is expected to extend over a period of time, our Directors consider that strict compliance with the announcement and Shareholders' approval requirements under the Listing Rules would be burdensome and would impose unnecessary administrative costs on our Company each time such transaction arises. Accordingly, pursuant to Rule 14A.105 of the Listing Rules, we have applied for, and the Stock Exchange has granted to us, a waiver from strict compliance with the announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the General Contracting Agreements for Construction Projects.

DIRECTOR'S VIEW

Our Directors (including our independent non-executive Directors) are of the view that (i) each of the Sales Framework Agreement, the Entrusted Processing Framework Agreement and General Contracting Agreements for Construction Projects and the transactions contemplated thereunder have been entered into in the ordinary and usual course of business of our Group and are based on normal commercial terms that are fair and reasonable and in the interests of our Shareholders as a whole; and (ii) the proposed annual caps for each of the Sales Framework Agreement, the Entrusted Processing Framework Agreement and General Contracting Agreements for Construction Projects are fair and reasonable and in the interests of our Shareholders as a whole.

OPINION OF THE SOLE SPONSOR

Based on the documents and information provided by our Company, the discussions with our Company and the Sole Sponsor's due diligence work, the Sole Sponsor concurs with our Directors that (i) each of the Sales Framework Agreement, the Entrusted Processing Framework Agreement and General Contracting Agreements for Construction Projects has been entered into in the ordinary and usual course of business of our Group, the terms of which are on normal commercial terms, fair and reasonable and in the interests of our Shareholders as a whole; and (ii) the proposed annual caps for each of the Sales Framework Agreement, the Entrusted Processing Framework Agreement and General Contracting Agreements for Construction Projects are fair and reasonable and in the interest of our Shareholders as a whole.

CONNECTED TRANSACTIONS

INTERNAL CONTROL MEASURES

We will adopt the following internal control and corporate governance measures to closely monitor connected transactions and ensure future compliance with the Listing Rules:

- (1) we will adopt and implement a management system on connected transactions and our Board and various internal departments of our Company will be responsible for the control and daily management in respect of the continuing connected transactions;
- (2) our Board and various other internal departments of our Company (including but not limited to the finance department and legal department) will be jointly responsible for evaluating the terms under the relevant agreements for the continuing connected transactions, in particular, the fairness of the pricing policies and annual caps (if applicable) under each transaction;
- (3) our Board and the finance department of our Group will regularly monitor the connected transactions (including but not limited to transaction amounts and annual caps under the relevant agreements) and our management will regularly review the pricing policies to ensure connected transactions to be performed in accordance with the relevant agreements through the following review procedures:
 - (i) if there are market prices available, they will compare the proposed price with the market price to ensure that the proposed price is equivalent to or no less favorable to us than the price offered by the independent third parties providing similar services. Our Company will make enquiries from certain independent third party service providers for their quotations and conduct internal assessments;
 - (ii) if no market price is available, they will take into account of several factors such as regulatory requirements, actual needs of our Group and the industry position of service provider in determining whether the pricing is fair and reasonable; and
 - (iii) review the proposed price to ensure it is consistent with the pricing terms under the relevant agreements for non-exempt connected transactions, and that the terms offered by the connected person to our Group are no less favorable than those offered by the independent third parties.

CONNECTED TRANSACTIONS

- (4) we shall engage our auditors to, and our independent non-executive Directors will, conduct annual review on the continuing connected transactions to ensure that the transactions contemplated thereunder have been conducted pursuant to the requirements of the Listing Rules and have fulfilled the relevant disclosure requirements;
- (5) we will comply with the relevant requirements under Chapter 14A of the Listing Rules for the continuing connected transactions, and comply with the conditions prescribed under the waiver submitted to the Stock Exchange in connection with the continuing connected transactions in this regard; and
- (6) when considering any renewal or revisions to the framework agreements after the Listing, the interested Directors and Shareholders shall abstain from voting on the resolutions to approve such transactions at Board meetings and general meetings (as the case may be).

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

OVERVIEW

Our Board comprises eight Directors, including two executive Directors, three non-executive Directors and three independent non-executive Directors. Our employee representative Director was elected at the employee representative meeting while other Directors were elected at the Shareholders' meeting. Our Board is responsible and has general powers for the management and conduct of our business.

The Supervisory Committee currently consists of three Supervisors. The Supervisors include two Shareholder representative Supervisors and one employee representative Supervisor. The Shareholder representative Supervisors and the employee representative Supervisor were elected at the Shareholders' meetings and the staff representative assembly, respectively. The Supervisory Committee is responsible for supervising our Directors and the senior management of our Company on fulfillment of their duties.

All of our Directors, Supervisors and senior management of our Company have met the qualification requirements under the relevant PRC laws and regulations and the Listing Rules for their respective positions.

Our Company adopts the integrated management and operation model within our Group and the management of our subsidiaries was conducted by our senior management team (including our executive Directors), whereby the management decisions with respect to overall strategic planning, business operation, financial management, internal control and human resources, etc. which are formulated by our senior management team (including our executive Directors) are executed at both Group and subsidiary levels.

DIRECTORS

The following table sets out key information of our Directors:

Name	Age	Date of joining our Group	Date of appointment as Director	Position for the current tenure	Roles and responsibilities	Relationship with other Director(s) or senior management of our Group
Ms. Liu Jingyu (劉靜瑜女士)	52	July 1, 2018	July 20, 2018	Chairwoman of the Board, Executive Director and chief executive officer	Responsible for overall strategic planning and operational decision of our Group	N/A

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Age	Date of joining our Group	Date of appointment as Director	Position for the current tenure	Roles and responsibilities	Relationship with other Director(s) or senior management of our Group
Mr. Dai Ying (戴穎先生)	44	April 3, 2019	December 2, 2020	Executive Director, vice president and joint company secretary	Responsible for the investment, financing and capital operation of our Group	N/A
Mr. Zhou Sheng (周勝先生)	46	December 8, 2015	December 8, 2015	Non-executive Director	Responsible for providing guidance for the overall development of our Group	N/A
Mr. Zhang Guoqing (張國慶先生)	49	August 13, 2019	August 13, 2019	Non-executive Director	Responsible for providing guidance for the overall development of our Group	N/A
Mr. Li Yunxiang (李雲祥先生)	45	August 13, 2019	August 13, 2019	Non-executive Director	Responsible for providing guidance for the overall development of our Group	N/A
Mr. Wu Guangquan (吳光權先生)	60	December 25, 2021 (effective upon Listing)	December 25, 2021	Independent non-executive Director	Providing independent opinion and judgment to the Board, thereby protecting the overall interest of our Company	N/A

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Age	Date of joining our Group	Date of appointment as Director	Position for the current tenure	Roles and responsibilities	Relationship with other Director(s) or senior management of our Group
Mr. Wang Susheng (王蘇生先生)	53	December 25, 2021 (effective upon Listing)	December 25, 2021	Independent non-executive Director	Providing independent opinion and judgment to the Board, thereby protecting the overall interest of our Company	N/A
Mr. Chen Zetong (陳澤桐先生)	52	December 25, 2021 (effective upon Listing)	December 25, 2021	Independent non-executive Director	Providing independent opinion and judgment to the Board, thereby protecting the overall interest of our Company	N/A

Executive Directors

Ms. Liu Jingyu (劉靜瑜女士) (former name Liu Caiyu (劉彩瑜)), aged 52, is the chairwoman of our Board, as well as an executive Director and chief executive officer of our Company. Ms. Liu has been a Director of our Company since July 20, 2018, by election at the Shareholders' meetings of our Company, was appointed as the chairwoman of the board of our Company on July 27, 2018 and has been the chief executive officer of our Company since August 6, 2018. Ms. Liu was designated as our executive Director on December 10, 2021. Ms. Liu is also the chairwoman of the board or a Director of Jiangsu Research Institute, Xiamen Company, Jiangsu Company, Shenzhen Research Institute, Wuhan Company, Hefei Company, Chengdu Company, Materials Company, Fujian Company, Jiangmen Company and Sichuan Company. Ms. Liu also serves as the chairwoman of the board of Jiangsu Power and Energy Storage Battery Innovation Center Co., Ltd.* (江蘇動力及儲能電池創新中心有限公司), an associate of our Company ("Jiangsu Power"). Ms. Liu is mainly responsible for overall strategic planning and operational decision of our Group. She is a member of our Nomination Committee and Remuneration Committee.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. Liu has over 18 years of experience in business management. Prior to joining our Group, Ms. Liu, from April 2003 to June 2018, worked in Tianma Microelectronics Co., Ltd.* (天馬微電子股份有限公司), a company whose shares are listed on the Shenzhen Stock Exchange (stock code: 000050) (“**Tianma**”, together with its subsidiaries “**Tianma Group**”), which is principally engaged in the research, manufacturing and sales of liquid-crystal display and its related materials with subsidiaries located in China, Europe, United States, Japan, Korea and India. Ms. Liu had served various positions in Tianma Group and her last position was director and general manager of Tianma. Ms. Liu was mainly responsible for the overall operation and management of Tianma Group and had gained extensive international experience during her tenure in Tianma Group, including mergers and acquisitions in Japan.

Ms. Liu has received many honors including:

- in April 2021, she was awarded the honorary title of “Model Worker in Jintan District of Changzhou City” (常州市金壇區勞動模範) by the People’s Government of Jintan District of Changzhou City;
- in February 2021, she was awarded the honorary title of “Advanced Person Contributing to Jintan District” (貢獻金壇先進人物) by the People’s Government of Jintan District of Changzhou City;
- in November 2020, she was awarded the honorary title of “Women Achievement Model” (巾幗建功標兵) in Jintan District of Changzhou City;
- in February 2020, she was awarded the title of “Excellent Entrepreneur” (優秀企業家) by the People’s Government of Jintan District of Changzhou City;
- in November 2019, she won the award of “LiXiang Person of the Year 2019” (鋰想2019年度人物獎) at the 4th International Summit on EV Battery Application* (第四屆動力電池應用國際峰會);
- in June 2019, she was elected as the chairwoman of the first session of Jiangsu Power and Energy Storage Battery Industry Innovation Alliance* (江蘇省動力及儲能電池產業創新聯盟); and
- in April 2016, she won the first prize of the “Industry Contributing Nation Jade Award”; (產業報國玉獎) awarded by the AVIC.

Ms. Liu has been a senior accountant recognized by the Senior Professional Technical Position Review Committee of China Aviation Industry Corporation I since December 2005 and a certified public accountant recognized by the Shenzhen Institute of Certified Public Accountants since March 2007. Ms. Liu was recognized as a registered valuer by the Shenzhen Association of Registered Asset Appraisers in 2001 and was recognized as a certified tax agent by the Shenzhen Registered Tax Agent Management Center in 2001.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. Liu served as a director in the following companies, which were established in the PRC and dissolved on a voluntary basis by the consent of all shareholders to deregister the companies as these companies had already ceased operation. Ms. Liu confirmed that these companies were solvent at the time of their respective deregistration and their respective deregistration had not resulted in any liability or obligation against her. The table below sets forth further details of the deregistered companies:

Name of company	Position held	Nature of business	Date of dissolution	Method of dissolution
Shenzhen AVIC Optoelectronics Co., Ltd.* (深圳中航光電子有限公司)	Legal representative, executive director and general manager	Design, exports and imports of flat panel displays and related parts	December 13, 2016	Deregistration (註銷)
Continental Kaibo Power System (Changzhou) Co., Ltd.* (大陸凱博動力電源系統(常州)有限公司) (“Continental Kaibo”)	Director	Research and development battery management systems	April 22, 2021	Deregistration (註銷)
Shenzhen City Ruishi Touch Technology Co., Ltd.* (深圳市瑞視觸控技術有限公司)	Director	Design and sales of liquid crystal display touch screen, related materials, equipment and products	December 3, 2014	Deregistration (註銷)

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

Mr. Dai Ying (戴穎先生), aged 44, is the executive Director (employee representative Director), vice president and joint company secretary of our Company. Mr. Dai has been the vice president of our Company since April 3, 2019 and was appointed as our Director on December 2, 2020 and as our company secretary on January 6, 2022 (effective upon Listing). Mr. Dai was designated as our executive Director on December 10, 2021. Mr. Dai also acts as a director of Wuhan Company, Chengdu Company, Hefei Company and Jiangmen Company. Mr. Dai is mainly responsible for the investment, financing and capital operation of our Group.

Mr. Dai has over 20 years of experience in business management and investment and financing. Prior to joining our Group, Mr. Dai served as the deputy general manager and secretary of the board of directors of Shenzhen Tongyi Industrial Co., Ltd.* (深圳市同益實業股份有限公司) from August 2018 to April 2019, and was responsible for the investment, financing and capital operation. Mr. Dai worked as the secretary of the board of directors in Tianma from November 2016 to January 2018, mainly responsible for the investment, financing and capital operation of Tianma. From April 2014 to January 2018, Mr. Dai served as an assistant president of Tianma. From May 2011 to April 2014, he worked at Ping An Fund

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Management Co., Ltd.* (平安基金管理有限公司). He worked in Da Cheng Fund Management Co., Ltd.* (大成基金管理有限公司) from October 2009 to May 2011 and worked at Ping An Insurance Company of China, Ltd.* (平安人壽保險股份有限公司) from April 2004 to October 2009. From May 2000 to August 2002, Mr. Dai worked at Yingda Securities Co., Ltd* (英大證券有限責任公司).

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

Non-executive Directors

Mr. Zhou Sheng (周勝先生) (former name Zhou Zisheng (周子勝)), aged 46, is our non-executive Director. Mr. Zhou has been our Director since December 8, 2015 and was designated as our non-executive Director on December 10, 2021. Mr. Zhou is mainly responsible for providing guidance for the overall development of our Group.

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

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

- since January 2022, he has served as an executive director and a legal representative of Changzhou Zhongcheng Industrial Co., Ltd* (常州眾成實業發展有限公司) (“**Changzhou Zhongcheng**”), a subsidiary of Jintan Hualuogeng;
- since December 2021, he has served as an executive director and a legal representative of Jinsha Investment;

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

- since December 2021, he has served as an executive director and legal representative of Changzhou Jinsha Capital Management Co., Ltd.* (常州金沙資本管理有限公司) (“**Jinsha Capital Management**”), a subsidiary of Jintan Holding;
- since October 2021, he has served as an executive director and a legal representative of Jiangsu Jiangnan Clean Energy Research Institute Co., Ltd.* (江蘇江南清潔能源研究院有限公司) (“**Jiangnan Clean Energy**”), a subsidiary of Jintan Hualuogeng;
- since May 2021, he has served as an executive director and a legal representative of Changzhou Huake Zhuolin Industrial Investment Co., Ltd.* (常州華科卓林實業投資有限公司) (“**Huake Zhuolin**”), a subsidiary of Jintan Hualuogeng;
- since December 2020, he has served as a general manager, an executive director and a legal representative of Changzhou Huakewo Industrial Investment Co., Ltd.* (常州華科沃實業投資有限公司), a subsidiary of Huake Engineering;
- since May 2018, he has served as an executive director and legal representative of Changzhou Huakeyi Technology Investment Co., Ltd.* (常州華科易科技投資有限公司), a subsidiary of Huake Engineering;
- since April 2018, he has served as a general manager, executive director and legal representative of Changzhou Huakerui Technology Investment Co., Ltd.* (常州華科瑞科技投資有限公司), a subsidiary of Huake Engineering;
- since January 2018, he has served as chairman of the supervisory committee of Changzhou ECTEK Automotive Electronic Systems Co., Ltd.* (常州易控汽車電子股份有限公司), a company primarily engaged in development and sales of automobile engine and technology promotion services;
- since January 2018, he has served as a director of Jiangsu Chengdong Construction Projects Co., Ltd.* (江蘇城東建設工程有限公司), a subsidiary of Jintan Holding;
- since March 2017, he has served as an executive director of Changzhou Huake Venture Capital Co., Ltd.* (常州華科創業投資有限公司) (“**Huake Venture Capital**”), a subsidiary of Jintan Hualuogeng;
- since March 2017, he has served as an executive director and the legal representative of Huake Investment; and
- since March 2017, he has served as an executive director and legal representative of Huake Engineering.

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Mr. Zhou served as legal representative and executive director in the following companies, which were established in the PRC and dissolved on a voluntary basis by the consent of all shareholders to deregister the companies as these companies had already ceased operation. Mr. Zhou confirmed that these companies were solvent at the time of their respective deregistration and their respective deregistration had not resulted in any liability or obligation against him. The table below sets forth further details of the deregistered companies:

Name of company	Position held	Nature of business	Date of dissolution	Method of dissolution
Changzhou Jinsha Network Technology Co., Ltd.* (常州金沙網絡科技有限公司)	Legal representative and executive director	Development and consultation of network technology products	September 4, 2020	Deregistration (註銷)
Jiangsu Jintan Binhu Technology Industry Development Co., Ltd.* (江蘇金壇濱湖科技產業發展有限公司)	Legal representative and executive director	Investment and operation and project management of technology industry projects	September 4, 2020	Deregistration (註銷)
Jiangsu Jintan Maoshan Tourism Investment Development Co., Ltd.* (江蘇金壇茅山旅遊投資發展有限公司)	Legal representative and executive director	Investment, operation and management of tourism projects	September 24, 2020	Deregistration (註銷)

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

Mr. Zhang Guoqing (張國慶先生), aged 49, is our non-executive Director. Mr. Zhang has been the Director of our Company since August 13, 2019 and was designated as our non-executive Director on December 10, 2021. Mr. Zhang is responsible for providing guidance for the overall development of our Group.

Since December 2016, Mr. Zhang has served at various positions of Jintan Holding where his current position is deputy party secretary and chairman of the supervisory committee, mainly responsible for the investment of Jintan Holding. Prior to joining Jintan Investment, Mr. Zhang worked in Jintan Huijin Construction Investment Development Co., Ltd.* (金壇市惠金建設投資發展有限公司) from July 2013 to January 2015 and from February 2015 to December 2016, and his last position was deputy general manager and head of the general department. From June 2011 to July 2013, Mr. Zhang worked in Jintan City Finance Bureau as a member of the Economics and Construction Section. From June 2011 to July 2013, Mr. Zhang was a member of the Financial Law Enforcement and Inspection Brigade of Jintan City (金壇市財政執法稽查大隊). From December 2010 to June 2011, Mr. Zhang worked at Jintan Construction and Engineering Group Co., Ltd.* (金壇建工集團有限公司),

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mainly responsible for internal control audit. He also worked at Construction Bureau of Jintan City in Beijing Office* (金壇市建設局駐北京辦事處) from December 2000 to December 2010, and his last position was chief of Financial Section.

Concurrently, Mr. Zhang also serves at various positions in Jintan Group and their respective subsidiaries including:

- since January 2022, he has been a supervisor of Changzhou Zhongcheng;
- since October 2021, he has been a supervisor of Jiangnan Clean Energy;
- since May 2021, he has been a supervisor of Huake Zhuolin. Concurrently, he has been the legal representative and executive director of Changzhou Changjin Technology Investment Co., Ltd.* (常州常金科技投資有限公司), a non-direct subsidiary of Jinsha Investment;
- since April 2021, he has been a supervisor of the following companies:
 - Jintan Holdings
 - Jintan Hualuogeng
 - Jincheng Technology
 - Huake Engineering
 - Jinsha Capital Management
 - Changzhou Jinsha City Development Co., Ltd.* (常州金沙城市開發有限公司), a wholly-owned subsidiary of Jincheng Technology
 - Jiangsu Jintan Zhonghe Investment Co., Ltd.* (江蘇金壇眾合投資有限公司), a subsidiary of Jinsha Investment
 - Huake Venture Capital
 - Jiangsu Changdang Lake Agricultural Technology Industrial Park Co., Ltd.* (江蘇長蕩湖農業科技產業園有限公司)
- since January 2021, he has been a supervisor of Changzhou Yijing Optoelectronics Technology Co., Ltd.* (常州億晶光電科技有限公司);
- since July 2017, he has been an executive director and legal representative of Jiangsu Jintan Financial Guarantee Co., Ltd.* (江蘇金壇融資擔保有限公司), a subsidiary of Jintan Holding;

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- since May 2017, he has been an executive director and legal representative of Changzhou Changjin Technology Investment Co., Ltd.* (常州常金科技投資有限公司) a subsidiary of Jinsha Investment; and
- since May 2017, he has been a director of Jintan Hualuogeng.

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

Mr. Zhang served as a director in the following companies, which were established in the PRC and dissolved on a voluntary basis by the consent of all shareholders to deregister the companies as these companies had already ceased operation. Mr. Zhang confirmed that these companies were solvent at the time of their respective deregistration and their respective deregistration had not resulted in any liability or obligation against him. The table below sets forth further details of the deregistered companies:

Name of company	Position held	Nature of business	Date of dissolution	Method of dissolution
Jieneng New Energy Technology (Jiangsu) Co., Ltd.* (捷能新能源科技(江蘇)有限公司)	Director	Development of new energy technology and computer hardware and software technology	July 29, 2019	Deregistration (註銷)
Changzhou Jintan Huijin Small and Medium Enterprises Service Co., Ltd.* (常州市金壇區惠金中小企業服務有限公司)	Legal representative and executive director	Investment and operation and project management of technology industry projects	September 8, 2020	Deregistration (註銷)

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

Mr. Li Yunxiang (李雲祥先生), aged 45, our non-executive Director. Mr. Li was appointed as our Director on August 13, 2019 and was designated as our non-executive Director on December 10, 2021. Mr. Li is mainly responsible for providing guidance for the overall development of our Group. Mr. Li also serves as a director of Fujian Company.

Since February 2018, Mr. Li has been a member of the party committee and a vice general manager of Jinyuan Investment and mainly responsible for the investment management, financial management and direct equity investment in Jiayuan Investment. Since January 2018, he has been the chairman of Jinyuan Capital Management (Xiamen) Co., Ltd.* (金圓資本管理(廈門)有限公司). From December 2007 to December 2020, Mr. Li served successively as the deputy general manager, general manager and chairman of Xiamen Financing Guarantee Co., Ltd.* (廈門市融資擔保有限公司, formerly known as Xiamen City Guaranty Co., Ltd.* (廈門市擔保有限公司)), and currently serves as a director of this company.

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

- since July 2021, he has served as a director of Zhongbing Shunjing Equity Investment Management Co., Ltd.* (中兵順景股權投資管理有限公司).
- since June 2021, he has served as a director of Xiamen Jinyuan Financial Leasing Co., Ltd.* (廈門金圓融資租賃有限公司); and
- since December 2020, he has served as a director of Fujian Sangang (Group) Co., Ltd.* (福建三鋼(集團)有限公司);
- since June 2020, he has served as the director of Jinyuan President Securities Co., Ltd.* (金圓統一證券有限公司);
- since May 2020, he has served as a director of Xiamen Venture Capital Co., Ltd.* (廈門創業投資有限公司);
- since April 2020, he has served as a director of Qingyuan Technology (Xiamen) Co., Ltd.* (清源科技(廈門)股份有限公司);
- since December 2018, he has served as a director of Jinyuan Industry Equity Investment Co., Ltd.* (廈門金圓股權投資有限公司);
- since June 2018, he has served as a director of Xiamen International Trust Co., Ltd.* (廈門國際信託有限公司);
- since April 2018, he has served as a director of Jinyuan Industry Jinkong Holdings Co., Ltd.* (廈門金圓金控股份有限公司);
- since March 2018, he has served as a director of Xiamen Asset Management Co., Ltd.* (廈門資產管理有限公司);
- since March 2018, he has served as a director of Xiamen Financial Holdings Co., Ltd.* (廈門金融控股有限公司); and
- since January 2018, he has served as the chairman and legal representative of Jinyuan Capital Management (Xiamen) Co., Ltd.* (金圓資本(廈門)有限公司).

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

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

Independent non-executive Directors

Mr. Wu Guangquan (吳光權先生), aged 60, is our independent non-executive Director. Mr. Wu joined our Group and was appointed as an independent non-executive Director on December 25, 2021 (effective upon Listing). Mr. Wu is primarily responsible for providing independent advice and judgment to our Board, thereby protecting the overall interest of our Company. Mr. Wu is the chairman of our Remuneration Committee and a member of our Audit Committee and Nomination Committee.

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

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

Mr. Wu served as a director in the following companies, which were established in the PRC and dissolved on a voluntary basis by the consent of all shareholders to deregister the companies as these companies had already ceased operation. Mr. Wu confirmed that these companies were solvent at the time of their respective deregistration and their respective deregistration had not resulted in any liability or obligation against him. The table below sets forth further details of the deregistered companies:

Name of company	Position held	Nature of business	Date of dissolution	Method of dissolution
Jieneng New Energy Technology (Jiangsu) Co., Ltd.* (共青城西游記文化產業園有限公司)	Legal representative and chief representative	Development and management of cultural industrial park	June 15, 2015	Deregistration (註銷)
Beijing Jiangnan Tianhui Economic Research Co., Ltd.* (北京江南天慧經濟研究有限責任公司)	Legal representative and chairman of the board of directors	Research and development	September 19, 2007	Deregistration (註銷)
Jiangxi Securities Registration Co., Ltd.* (江西省證券登記有限公司)	Shareholder and director	Securities related services	July 31, 2018	Deregistration (註銷)

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Mr. Wu was also a director or legal representative of the following companies, which were established in the PRC and the business license of which had been revoked during his tenure:

Name of the Company	Position held	Date of revocation	Reason for revocation	Outcome/current position
Beijing Jiangrui Culture Development Co., Ltd.* (北京江瑞文化發展有限公司)	Legal representative, executive director and general manager	December 17, 2007	Failure to deregister as required under relevant PRC laws and regulations	The company ceased its business operation prior to revocation of business license. It had been compulsory liquidated and currently has no operation but not yet deregistered.
Beijing Tiger Investment Management Co., Ltd.* (北京老虎投資管理有限公司)	Legal representative	January 10, 2007	Failure to deregister as required under relevant PRC laws and regulations	The company ceased its business operation prior to revocation of business license. It had been compulsory liquidated and currently has no operation but not yet deregistered.

Mr. Wu has confirmed that (i) he was not directly responsible for handling the company secretarial matters in relation to deregistration, which was assigned to certain specified staff in the respective company; (ii) there was no dishonest or fraudulent act on his part in respect of the revocation of the business license of the above-mentioned companies; and (iii) the respective companies are currently under the process of deregistration. Mr. Wu further confirmed that up to the Latest Practicable Date, he has not received any (i) notice or sanction by any relevant government authorities against him imposing any penalty or order for rectification or alleging that he is personally liable in respect of the revocation of above-mentioned companies; or (ii) notice of disqualification by relevant authorities requiring him to cease to act as director of any PRC company.

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

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Mr. Wang Susheng (王蘇生先生), aged 53, is our independent non-executive Director. Mr. Wang joined our Group and was appointed as our independent non-executive Director on December 25, 2021 (effective upon Listing). Mr. Wang is mainly responsible for supervising and providing judgment to our Board, thereby protecting the overall interest of our Company. Mr. Wang is the chairman of our Audit Committee.

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

Mr. Wang also currently serves as independent director at Tianma and other listed companies including:

- Changyuan Technology Group Joint Stock Company Limited* (長園科技集團股份有限公司), a company whose shares are listed on the Shanghai Stock Exchange (stock code: 600525) and principally engaged in the R&D and manufacturing of intelligent digitalization of industrial and power systems;
- Shahe Industrial Co., Ltd* (沙河實業股份有限公司), a company whose shares are listed on the Shenzhen Stock Exchange (stock code: 000014) and principally engaged in real estate development and operation; and
- Guangdong Wedge Co., Ltd* (廣東萬澤實業股份有限公司), a company whose shares are listed on the Shenzhen Stock Exchange (stock code: 000534) and principally engaged in real estate development.

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

Mr. Wang was a director of the following company, which was established in the PRC and the business license of which had been revoked during his tenure.

Name of the Company	Position held	Date of revocation	Reason for revocation	Outcome/current position
Shenzhen Jingshi Yongdao investment Co., Ltd.* (深圳市經世永道投資有限公司)	Legal representative, chairman of the board of directors	November 4, 1998	Failure to conduct annual inspection as required under the relevant PRC laws and regulations	The company ceased its business operation prior to revocation of business license. It has no operation but not yet deregistered.

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Mr. Wang has confirmed that (i) he was not directly responsible for handling the company secretarial matters such as conducting annual inspection, which was assigned to certain specified staff in the above-mentioned company; and (ii) there was no dishonest or fraudulent act on his part in respect of the revocation of the business license of the above-mentioned company. Mr. Wang further confirmed that up to the Latest Practicable Date, he has not received any (i) notice or sanction by any relevant government authorities against him imposing any penalty or order for rectification or alleging that he is personally liable in respect of the revocation of above-mentioned company; or (ii) notice of disqualification by relevant authorities requiring him to cease to act as director of any PRC company.

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

Mr. Chen Zetong (陳澤桐先生), aged 52, is our independent non-executive Director. Mr. Chen joined our Group and was appointed as our independent non-executive Director on December 25, 2021 (effective upon Listing). Mr. Chen is mainly responsible for supervising and providing judgment to our Board, thereby protecting the overall interest of our Company. Mr. Chen is the chairman of our Nomination Committee and a member of our Audit Committee and Remuneration Committee.

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

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

- Sino Life Insurance Co., Ltd* (生命人壽保險有限公司);
- Sino Life Asset Management Co., Ltd* (生命保險資產管理有限公司);

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

Mr. Chen is a registered foreign lawyer in Hong Kong, and a member of the Law Society of Hong Kong. He is also a qualified lawyer in the PRC. Mr. Chen is an arbitrator at China International Economic and Trade Arbitration Commission (中國國際經濟貿易仲裁委員會) and Shenzhen Court of International Arbitration (深圳國際仲裁院).

Mr. Chen graduated from Southwest University of Political Science & Law (西南政法大學) with a bachelor's degree in economic law in July 1994 and received his master's degree in common law from University of Hong Kong in December 2003. He also obtained a doctoral degree in civil and commercial law from Jilin University (吉林大學) in December 2008.

Further information about Mr. Chen Zetong

During his tenure at Sanxia New Materials, Sanxia New Materials, together with all its then directors, including Mr. Chen received a warning letter from Hubei Regulatory Bureau of CSRC (中國證券監督管理委員會湖北監管局) on October 13, 2020 regarding Sanxia New Material's failure to timely conduct relevant procedures in respect of the alternation of original proposal on share repurchase and the publication of an announcement regarding the reasons for not implementing the share repurchase (“**Incident**”).

Notwithstanding the Incident, our Directors consider that Mr. Chen is competent and able to fulfil his duties of care and diligence, and hence is suitable to act as an independent non-executive Director as he possesses the experience, knowledge and skill as well as the character to be a Director for the following reasons:

- (i) as advised by our PRC Legal Advisor, the issuance of the warning letter is purely a regulatory measure, which is different from an administrative penalty;
- (ii) as further advised by our PRC Legal Advisor, such regulatory measure did not disqualify Mr. Chen from acting as a director or senior management officer of any PRC company under the PRC Company Law;
- (iii) Mr. Chen was acting as an independent director and was not responsible for the day-to-day management of Sanxia New Materials and its subsidiaries. He had no prior knowledge of the executive directors' or senior management's failure to timely implement the share repurchase, and hence was not directly responsible for the Incident;

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- (iv) the Incident did not raise any concern over the issue of integrity or character of Mr. Chen and there is no evidence that the Incident involved any act of dishonesty, fraud or suggested any issue of integrity on the part of Mr. Chen which would affect his suitability to act as an independent non-executive Director;
- (v) there were no civil actions or administrative or criminal punishments taken by any regulatory authority or stock exchange against Mr. Chen in respect of the Incident; and
- (vi) no regulatory authority or stock exchange disqualified Mr. Chen from acting as an independent director of Sanxia New Materials as a consequence of the Incident and he is still serving as independent director for A-share listed companies in the PRC.

SUPERVISORS

The following table sets out key information of our Supervisors:

Name	Age	Date of joining our Group	Date of appointment as Supervisor	Position for the current tenure	Roles and responsibilities	Relationship with other Director(s) or senior management of our Group
Mr. Jiang Jinhua (姜金華先生)	49	February 7, 2021	February 7, 2021	Shareholder representative Supervisor and chairman of the Supervisory Committee	Responsible for supervising our Directors and senior management of our Company on fulfillment of their duties	N/A
Ms. Cheng Yan (程雁女士)	48	August 13, 2019	August 13, 2019	Shareholder representative Supervisor	Responsible for supervising our Directors and senior management of our Company on fulfillment of their duties	N/A
Ms. Nian Mingzhu (念明珠女士)	35	July 15, 2019	September 15, 2020	Employee representative Supervisor	Responsible for supervising our Directors and senior management of our Company on fulfillment of their duties	N/A

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Mr. Jiang Jinhua (姜金華先生), aged 49, is our Shareholder representative Supervisor and chairman of the Supervisory Committee. Mr. Jiang joined our Group on February 7, 2021 and was appointed as our Supervisor on the same day. Mr. Jiang is mainly responsible for supervising our Directors and senior management of our Company on fulfillment of their duties.

Since December 2020, Mr. Jiang has been the party secretary and chairman of the board of directors for Jintan Holding, and is mainly responsible for the party committee work of Jintan Holding. Since September 2021, Mr. Jiang has been the executive director and general manager of Jiangsu Jintan Zhonghe Investment Co., Ltd. Prior to joining our Group, Mr. Jiang served as party working committee secretary (黨工委書記) at Xicheng Sub-District of Jintan District* (金壇區西城街道) from March 2019 to December 2020. From May 2017 to March 2019, he was the director of the district committee office of Jintan District Committee Office* (金壇區委辦公室) where he was primarily responsible for the overall work and reform of the Jintan District Committee Office. Prior to that, he worked as deputy secretary of the party committee and town mayor (黨委副書記及鎮長) of Zhiqian Town, Jintan District* (金壇區指前鎮) from December 2013 to May 2017. From August 2006 to December 2013, Mr. Jiang worked at various positions at party committee of Jincheng Town, Jintan District* (金壇區金城鎮黨委) where his last position was deputy secretary of the party committee (黨委副書記) and director of Political Consultation Conference Working Committee (政協工委主任) of Jincheng Town of Jintan District, and is mainly responsible for the party building and work of the Political Consultative Conference Working Committee of Jincheng Town.

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

Ms. Cheng Yan (程雁女士), aged 48, is our Shareholder representative Supervisor. Ms. Cheng joined our Group on August 13, 2019 and was appointed as our Supervisor on the same day. Ms. Cheng is mainly responsible for supervising our Directors and senior management of our Company fulfillment of their duties.

Ms. Cheng possesses extensive experience in the fields of financial and corporate governance. Ms. Cheng joined Chengfei Integration since January 2002, a company primarily engaged in the design, development and manufacturing of the tools and dies, with typical products such as the dies for the large and high-grade outer skin panels used in medium and high-grade cars and has successively served as various positions including person in charge of planning department, manager of planning and development department, management department and securities department, manager of the project management department, the vice general manager, financial manager, board secretary and director of Chengfei Integration. Currently Ms. Cheng is mainly responsible for Chengfei Integration's finance work, information disclosure related matters, management of relationship with investors and dealing with matters in relation to the board meetings.

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

- excellent Board Secretary of Listed Companies in Sichuan Province of the Year (四川上市公司年度優秀董事會秘書) for years of 2016, 2015 and 2013 awarded by Sichuan Association of Listed Companies in October 2017, July 2016 and July 2014 respectively;
- top 100 Board Secretaries of Listed Companies in China's Small and Medium Enterprise Board 2011 (2011中國中小板上市公司百佳董秘) awarded by Securities Times in 2012; and
- excellent Board Secretaries of Listed Companies in China's Small and Medium Enterprise Board 2010 (2010中國中小板上市公司百佳董秘) awarded by Securities Times in 2010.

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

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

Ms. Nian Mingzhu (念明珠女士), aged 35, is our employee representative Supervisor. Ms. Nian joined our Group on July 15, 2019 and was appointed as our Supervisor on September 15, 2020. She is mainly responsible for supervising our Directors and senior management of our Company on fulfillment of their duties. Apart from being our Supervisor, she worked as an equipment procurement director at Xiamen Company from July 2019 to September 2020 and has been the equipment procurement director of our Company since September 2020. Ms. Nian is mainly responsible for supervising our Group's equipment procurement. Ms. Nian also serves as a supervisor for Hefei Company, Chengdu Company, Shenzhen Research Institute, Xiamen Company, Fujian Company, Jiangmen Company and Sichuan Company.

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

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

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Other disclosure pursuant to Rule 13.51(2) of the Listing Rules

Save as disclosed above, each of our Directors and Supervisors confirmed with respect to himself/herself that: (i) he/she has not hold other positions in our Company or other members of our Group as of the Latest Practicable Date; (ii) does not have any relationship with any other Directors, senior management or Substantial Shareholders of our Company as of the Latest Practicable Date; and (iii) he/she does not hold any directorships in other listed companies in the three years prior to the date of this prospectus. Immediately following completion of the Global Offering, save for the interests in the Shares which are disclosed in “4. Disclosure of Interests – B. Directors, Supervisors or Chief Executive of our Company” in Appendix VI to this prospectus, each of our Directors will not have any interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed herein this prospectus, none of our Directors have any interests in any business apart from the business of our Group which competes or is likely to compete, either directly or indirectly, with business of our Group. Please see Appendix VI to this prospectus for further information about our Directors or Supervisors.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there were no other matters with respect to the appointment of our Directors or Supervisors that need to be brought to the attention of our Shareholders and there was no information relating to our Directors or Supervisors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

SENIOR MANAGEMENT

The following table shows the key information of our senior management:

Name	Age	Date of joining our Group	Date of appointment of as senior management	Position for the current tenure	Roles and responsibilities	Relationship with other Director(s) or senior management of our Group
Ms. Liu Jingyu (劉靜瑜女士)	52	July 1, 2018	August 6, 2018	Chairwoman of the Board, Executive Director and chief executive officer	Responsible for overall strategic planning and operational decision of our Group	N/A
Dr. Pan Fangfang (潘芳芳博士)	37	December 8, 2015	September 5, 2019	Vice president, chief technology officer	Responsible for the R&D, intellectual property and quality control of our Group	N/A

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Age	Date of joining our Group	Date of appointment of as senior management	Position for the current tenure	Roles and responsibilities	Relationship with other Director(s) or senior management of our Group
Mr. Dai Ying (戴穎先生)	44	April 3, 2019	April 3, 2019	Executive Director, vice president and joint company secretary	Responsible for the investment, financing and capital operation of our Group	N/A
Mr. Geng Yan'an (耿言安先生)	39	July 1, 2018	August 6, 2018	Vice president	Responsible for the procurement and information technology work of our Group	N/A
Ms. Gao Yan (高艷女士)	38	April 20, 2020	April 25, 2020	Vice president	Responsible for the financial and human resources of our Group	N/A
Mr. Wang Xiaoqiang (王小強先生)	37	December 8, 2015	November 15, 2021	Vice president	Responsible for the manufacturing and environmental safety of our Group	N/A
Mr. He Fan (何凡先生)	44	August 20, 2018	November 15, 2021	Vice president	Responsible for the engineering construction of our Group	N/A
Mr. Xie Qiu (謝秋先生)	39	December 8, 2015	November 15, 2021	Vice president	Responsible for the sales of in-vehicle business and research and development of in-vehicle battery products of our Group	N/A

Ms. Liu Jingyu (劉靜瑜女士), aged 52, is the chairwoman of the Board, our executive Director and chief executive officer of our Company. For the biography of Ms. Liu, please see “Directors – Executive Directors” of this section.

Dr. Pan Fangfang (潘芳芳博士), aged 37, joined our Group on December 8, 2015 and was appointed as vice president and chief technology officer of our Company on September 5, 2019. She is mainly responsible for the R&D, intellectual property and quality control of our Group. Dr. Pan has also been the general manager of Jiangsu Research Institute since January 3, 2020.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

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

Dr. Pan received many honors, including:

- in February 2021, she was awarded the honorary title of “2020 Outstanding Entrepreneur” (2020年度優秀企業家) by the People’s Government of Jintan District, Changzhou City;
- in February 2021, she was awarded the honorary title of “2016-2020 Advanced Person of Moving Jintan” (2016-2020年感動金壇先進人物) by the People’s Government of Jintan District, Changzhou City;
- in June 2019, she was appointed as a member of the Technical Committee of Jiangsu Power and Energy Storage Battery Industry Innovation Alliance* (江蘇省動力及儲能電池產業創新聯盟技術委員會);
- in April 2019, she was awarded the honorary title of “Outstanding Expert of Luoyang City” (洛陽市優秀專家) by the People’s Government of Luoyang City;
- in January 2019, she was awarded the honorary title of “Leader of Academic Technology in Henan Province” (河南省學術技術帶頭人) by the People’s Government of Henan Province;
- in January 2019, she was awarded the second prize of Henan Science and Technology Progress Award (河南省科學技術進步獎) by the People’s Government of Henan Province for the project of “Technology Development of High Specific Energy EV Battery Based on Hybrid Cathode Material” (基於混合正極材料的高比能量動力電池技術開發);
- in October 2017, she was awarded the honorary title of “Winner of Luoyang Youth Science and Technology Award” (洛陽市青年科技獎獲獎者) by the Luoyang Talent Work Leading Group (洛陽市人才工作領導小組);
- in September 2017, she was awarded the second prize of the Fujian Science and Technology Progress Award by the People’s Government of Fujian Province (福建省科學技術進步獎) for the project of “High-Safety Ceramic Separator and Its Application in Power Lithium-ion Batteries” (高安全陶瓷隔膜及其在動力鋰離子電池中的應用);

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

- in December 2016, she was awarded the second prize of Henan Science and Technology Progress Award (河南省科學技術進步獎) by the People's Government of Henan Province for the project of "High Safety CAM72FI Metal Shell Lithium-ion EV Battery" (高安全性CAM72FI金屬殼鋰離子動力電池);
- in July 2015, she was awarded the first prize of the Luoyang Science and Technology Progress Award (洛陽市科學技術進步獎) by the Luoyang Municipal People's Government for the project of "CAM72FI Metal Shell Battery Development" (CAM72FI金屬殼電池研製); and
- in March 2015, she was awarded the honorary title of "Outstanding Scientific and Technological Worker" (優秀科技工作者) by AVIC.

Dr. Pan obtained her doctoral degree in physical chemistry from University of Science and Technology of China (中國科學技術大學) in June 2011.

Mr. Dai Ying (戴穎先生), aged 44, is our executive Director (employee representative Director), vice president and joint company secretary of our Company. For the biography of Mr. Dai, please see "Directors – Executive Directors" of this section.

Mr. Geng Yan'an (耿言安先生), aged 39, joined our Group on July 1, 2018 and was appointed as vice president on August 6, 2018, responsible for the procurement and information technology work of our Group. Mr. Geng is the general manager of Chengdu Company and the manager of Materials Company. Mr. Geng is also a director and the general manager of Sichuan Company.

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

Mr. Geng earned his bachelor's degree of management in accounting from Anhui University of Technology (安徽工業大學) in July 2003.

Ms. Gao Yan (高豔女士), aged 38, joined our Group on April 20, 2020 and was appointed as vice president on April 25, 2020. Ms. Gao is the financial controller of our Group and mainly responsible for the financial and human resources of our Group. She also acts as a director of Chengdu Company.

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Ms. Gao has over 13 years of experience in finance. Prior to joining our Group, she worked successively at Tianma as a financial accountant from April 2008 to May 2010, as a financial manager from June 2010 to April 2015 and as financial controller from May 2015 to April 2020, where she was primarily responsible for the operation of accounting body of Tianma.

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

Mr. Wang Xiaoqiang (王小強先生), aged 37, joined our Group on December 8, 2015 and was appointed as vice president of our Company on November 15, 2021. Mr. Wang is mainly responsible for the manufacturing and environmental safety of our Group. Mr. Wang has been the general manager of Jiangsu Company since June 23, 2021 and has served as deputy secretary of the party committee and deputy dean of research institute of our Company since September 2018. Mr. Wang also serves as the legal representative, director and general manager of Jiangsu Power. Since April 7, 2022, Mr. Wang has served as general manager of Hefei Company.

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

Mr. Wang served as a director in the following company, which was established in the PRC and dissolved on a voluntary basis by the consent of all shareholders to deregister the company as such company had ceased operation. Mr. Wang confirmed that such company was solvent at the time of its deregistration and its deregistration had not resulted in any liability or obligation against him. The table below sets forth further details of the deregistered company:

Name of company	Position held	Nature of business	Date of dissolution	Method of dissolution
Continental Kaibo	Director	Research and development battery management systems	April 22, 2021	Deregistration (註銷)

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

Mr. He Fan (何凡先生), aged 44, joined our Group on August 20, 2018 and was appointed as vice president of our Company on November 15, 2021. Mr. He is responsible for the engineering construction of our group. Mr. He also acts as the general manager of Wuhan Company.

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

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

Mr. Xie Qiu (謝秋先生), aged 39, joined our Group on December 8, 2015 and was appointed as vice president of our Company on November 15, 2021. Mr. Xie is mainly responsible for the sales of in-vehicle business and research and development of in-vehicle battery products of our Group.

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

Mr. Xie has obtained the qualification of senior engineer from AVIC in 2016. He received the first prize of Luoyang Science and Technology Progress Award (洛陽市科學技術進步獎) for the project "research on lithium energy storage technology of large-scale wind-solar storage and transportation system*" (大規模風光儲輸綜合系統鋰電儲能技術研究) awarded by People's Government of Luoyang City in June 2016. He was also awarded the AVIC Science

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

and Technology Award* (中航工業集團科學技術獎) for the project “High reliability CA60F I lithium-ion EV battery*” (高可靠性CA60F I鋰離子動力電池) by AVIC in December 2015. In January 2014, he was awarded the second prize of the Science and Technology Progress Award of Henan Province (河南省科學技術進步獎) by the People’s Government of Henan Province for the project of “Megawatt-level Lithium-ion Battery Grid Peak-shaving Energy Storage System” (兆瓦級鋰離子電池電網調峰儲能系統).

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

JOINT COMPANY SECRETARIES

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

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

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

BOARD COMMITTEES

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

Audit Committee

We have established an Audit Committee in compliance with Rule 3.21 of the Listing Rules and with written terms of reference in compliance with paragraph C.3 of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The primary duties of our Audit Committee are, among other things, to make recommendations to our Board on the appointment and removal of external auditors; review the financial statements and material advice in respect of financial reporting; and oversee internal control procedures of our Company.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Our Audit Committee comprises of three members, namely Mr. Wang Susheng, Mr. Wu Guangquan and Mr. Chen Zetong. Mr. Wang Susheng is the chairman of our Audit Committee, who is an independent non-executive Director with the appropriate accounting and related financial management expertise as required under Rules 3.10(2) and 3.21 of the Listing Rules.

Remuneration Committee

We have established a Remuneration Committee in compliance with Rule 3.25 of the Listing Rules and with written terms of reference in compliance with paragraph B.1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of our Remuneration Committee, among other things, are to make recommendations to our Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group; review performance-based remuneration; and ensure none of our Directors determine their own remuneration.

Our Remuneration Committee comprises of three members, namely Mr. Wu Guangquan, Ms. Liu Jingyu, and Mr. Chen Zetong. Mr. Wu Guangquan is the chairman of our Remuneration Committee.

Nomination Committee

We have established a Nomination Committee in compliance with Rule 3.27A of the Listing Rules and with written terms of reference in compliance with paragraph A.5 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of our Nomination Committee are, among other things, to review the structure, size and composition of our Board and our board diversity policy on a regular basis; identify individuals suitably qualified to become Board members; assess the independence of independent non-executive Directors; and make recommendations to our Board on relevant matters relating to the appointment or re-appointment of Directors.

Our Nomination Committee comprises of three members, namely Mr. Chen Zetong, Ms. Liu Jingyu and Mr. Wu Guangquan. Mr. Chen Zetong is the chairman of our Nomination Committee.

BOARD DIVERSITY POLICY

We have adopted a board diversity policy (the “**Board Diversity Policy**”) which sets out the objective and approach to achieve and maintain diversity of our Board in order to enhance the effectiveness of our Board. Pursuant to the Board Diversity Policy, we seek to achieve diversity of our Board through the consideration of a number of factors when selecting candidates to our Board, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service. Our Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level, including gender diversity, as an essential element in maintaining our Company’s competitive advantage and enhancing its ability to attract talents

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

and to retain and motivate employees. We have also taken, and will continue to take steps to promote gender diversity at all levels of our Company, including but not limited to our Board and the senior management levels.

Our Directors have a balanced mix of knowledge and skills, including in management, strategic and business development, sales, legal compliance and corporate investment and finance. The ages of our Directors range from 43 years old to 59 years old, and we have both male and female representatives on the Board. Our nomination committee will review and assesses the composition of the Board and make recommendations to the Board on appointment of members of the Board. Meanwhile, our nomination committee will consider the benefits of all aspects of diversity, including without limitation, professional experience, skills, knowledge, education background, age, gender, cultural and ethnicity and length of service, in order to maintain an appropriate range and balance of talents, skills, experience and diversity of perspectives on the Board.

COMPLIANCE ADVISOR

We have appointed Maxa Capital Limited as our compliance advisor upon the Listing pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our compliance advisor will advise us when we consult our compliance advisor in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction under the Listing Rules, is contemplated by our Group, including share issues and share repurchases;
- (iii) where our Group proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our Group's business activities, developments or results of operation deviate from any forecast, estimate or other information in this prospectus; and
- (iv) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares.

The terms of appointment of the compliance advisor shall commence on the Listing Date and end on the date on which our Group complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Our Company recognizes the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group so as to achieve effective accountability.

According to paragraph A.2.1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, the role of the chairman and chief executive officer of a company should be separate and should not be performed by the same individual.

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

Save as disclosed above, we will comply with the code provisions stated in the Corporate Governance Code as set forth in Appendix 14 to the Listing Rules after the Listing. Our Company is of the view that our Board should include a balanced composition of executive and independent non-executive Directors so that there is a strong independent element on our Board, which can effectively exercise independent judgment.

REMUNERATION POLICY

Our executive Directors receive, in their capacity as our employees, compensation in the form of salaries and benefits-in-kind, including our contributions to the pension scheme for our executive Directors, according to the laws of the PRC. The aggregate amounts of remuneration (including fees, salaries, allowances and benefits in kind, discretionary bonus and contributions to pension scheme) for our Directors in 2019, 2020 and 2021 and the three months ended March 31, 2022 was approximately RMB7,040,000, RMB19,524,000, RMB24,321,000 and RMB6,466,000, respectively. None of our Directors waived any remuneration during the aforesaid periods.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

For the year ended December 31, 2019, the five highest paid individuals of our Company included one Director; for the year ended December 31, 2020, the five highest paid individuals of our Company included two Directors; for the year ended December 31, 2021, the five highest paid individuals of our Company included two Directors; and for the three months ended March 31, 2022, the five highest paid individuals of our Company included two Directors. The aggregate remuneration (including salaries, allowances and benefits in kind and contributions to pension scheme) paid to our Group's five highest remuneration individuals were approximately RMB14,122,000, RMB34,686,000, RMB43,252,000 and RMB11,211,000, respectively.

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

Save as disclosed above, no other payments of remuneration have been made, or are payable, in respect of the Track Record Period, by our Group to or on behalf of any of our Directors.

For information on Directors' remuneration during the Track Record Period as well as information on the highest paid individuals, please see notes 16 and 17 to the Accountant's Report set out in Appendix I to this Prospectus and "Statutory and General Information" set out in Appendix VI to this prospectus.

SHARE CAPITAL

Immediately before the Global Offering

As of the Latest Practicable Date, the share capital of our Company was RMB1,506,456,558, divided into 1,506,456,558 Shares, with a nominal value of RMB1.00 each.

Upon the Completion of the Global Offering

Assuming the Over-allotment Option is not exercised, the share capital of our Company immediately after the completion of the Global Offering will be as follows:

Number of Shares	Description of Shares	Approximate percentage of total share capital
1,506,456,558	Domestic Shares	85.0%
<u>265,845,300</u>	H Shares to be issued under the Global Offering	<u>15.0%</u>
<u><u>1,772,301,858</u></u>		<u><u>100%</u></u>

Assuming the Over-allotment Option is exercised in full, the share capital of our Company immediately after the completion of the Global Offering will be as follows:

Number of Shares	Description of Shares	Approximate percentage of total share capital
1,506,456,558	Domestic Shares	83.25%
<u>303,063,500</u>	H Shares to be issued under the Global Offering	<u>16.75%</u>
<u><u>1,809,520,058</u></u>		<u><u>100%</u></u>

The above tables assume the Global Offering becomes unconditional and is completed.

SHARE CAPITAL

SHARE CLASS

Upon the completion of Global Offering, the Shares of our Company will be divided into two categories: Domestic Shares and H Shares. The two classes of Shares are both ordinary shares in the share capital of our Company. H Shares may only be subscribed for and traded in Hong Kong dollars. Domestic Shares may only be subscribed for and traded in RMB.

Apart from certain qualified domestic institutional investors in the PRC, the qualified PRC investors under the Shanghai-Hong Kong Stock Connect, the Shenzhen-Hong Kong Stock Connect or other persons who are entitled to hold our H Shares pursuant to relevant PRC laws and regulations or upon approvals of any competent authorities, H Shares generally cannot be subscribed for by or traded between legal or natural persons of the PRC. Domestic Shares, on the other hand, can be subscribed for by and traded between legal or natural persons of the PRC and qualified foreign institutional investors. We must pay all dividends in respect of H Shares in Hong Kong dollars and all dividends in respect of Domestic Shares in RMB.

Except as described above and in relation to the dispatch of notices and financial reports to our Shareholders, registration of Shares in different parts of our register of Shareholders, the method of share transfer and the appointment of dividend receiving agents, which are set out in the Articles of Association and summarized in “Summary of the Articles of Association” in Appendix V to this prospectus (save for the dividends payment in RMB for the Domestic Shares and in Hong Kong dollars for H Shares), our Domestic Shares and our H Shares will rank equally with each other in all respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this prospectus. However, the transfer of Domestic Shares is subject to such restrictions as PRC laws may impose from time to time.

Save for the Global Offering, we do not propose to carry out any public or private issue or to place securities simultaneously with the Global Offering or within the next six months from the Listing Date. We have not approved any share issue plan other than the Global Offering.

CONVERSION OF OUR DOMESTIC SHARES INTO H SHARES

We have two classes of ordinary shares, Domestic Shares and H Shares. Our Domestic Shares are unlisted Shares which are currently not listed or traded on any stock exchange.

According to the stipulations by the State Council’s securities regulatory authority and the Articles of Association, our Domestic Shares may be converted into H Shares, and such converted Shares may be listed or traded on an overseas stock exchange, provided that prior to the conversion and trading of such converted Shares any requisite internal approval processes shall have been duly completed and the approval from the relevant PRC regulatory authorities, including the CSRC, shall have been obtained. In addition, such conversion, trading and listing shall in all respects comply with the regulations prescribed by the State Council’s securities regulatory authorities. Approval of the Stock Exchange is also required for the listing of such converted Shares on the Stock Exchange.

SHARE CAPITAL

Based on the procedures for the conversion of our Domestic Shares into H Shares as described in this section, we can apply for the listing of all or any portion of our Domestic Shares on the Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of Shares for entry on the H Share register. As any listing of additional Shares after our Listing on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter, it does not require such prior application for listing at the time of our Listing in Hong Kong.

No voting by class Shareholders is required for the listing and trading of the converted Shares on the Stock Exchange. Any application for listing of the converted Shares on the Stock Exchange after our initial listing is subject to prior notification by way of announcement to inform Shareholders and the public of any proposed transfer.

So far as we are aware, none of our Shareholders currently proposes to convert any of their Domestic Shares into H Shares.

TRANSFER OF SHARES ISSUED PRIOR TO THE LISTING DATE

The PRC Company Law provides that in relation to the public offering of a company, the shares issued prior to the public offering shall not be transferred within a period of one year from the date on which the publicly offered shares are listed on any stock exchange. Accordingly, Shares issued by our Company prior to the Listing Date shall be subject to this statutory restriction and not be transferred within a period of one year from the Listing Date.

Please see “Underwriting” in this prospectus for details of the lock-up undertaking given by Jintan Group to the Stock Exchange and under the Hong Kong Underwriting Agreement, respectively.

INCREASE IN SHARE CAPITAL

As advised by our PRC Legal Advisor, Jia Yuan Law Offices, pursuant to the Articles of Association and subject to the requirements of relevant PRC laws and regulations, our Company, upon the listing of our H Shares, is eligible to enlarge its share capital by issuing either new H Shares or new Domestic Shares on condition that such proposed issuance shall be approved by a special resolution of Shareholders in general meeting and by holders of Shares of that class of Shareholders whose interest is affected in a separate meeting conducted in accordance with the provisions of the Articles of Association and that such issuance complies with the Listing Rules and other relevant laws and regulations of Hong Kong. To adopt a special resolution of Shareholders in general meeting, more than the two thirds votes represented by our Shareholders (including proxies) present at the general meeting must be exercised in favor of the resolution. Resolutions of a class of Shareholders shall be passed by votes representing more than two thirds of Shareholders with voting rights attending the class Shareholders’ meeting.

SHARE CAPITAL

REGISTRATION OF SHARES NOT LISTED ON THE OVERSEAS STOCK EXCHANGE

According to the Notice of Centralized Registration and Deposit of Non-overseas Listed Shares of Companies Listed on an Overseas Stock Exchange (《關於境外上市公司非境外上市股份集中登記存管有關事宜的通知》) issued by the CSRC, an overseas listed company is required to register its shares that are not listed on the overseas stock exchange with China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司) within 15 Business Days upon the listing and provide a written report to the CSRC regarding the centralized registration and deposit of its unlisted Shares as well as the current offering and listing of shares.

SHAREHOLDERS' APPROVAL FOR THE GLOBAL OFFERING

Approval from holders of the Shares is required for our Company to issue H Shares and seek the Listing of H Shares on the Stock Exchange. Our Company has obtained such approval at the Shareholders' general meeting held on December 25, 2021.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

For details of circumstances under which our Shareholders' general meeting and class Shareholders' meeting are required, please see "Shareholders' general meeting" under "Summary of the Articles of Association" of Appendix V to this prospectus.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Global Offering (assuming that (i) the Global Offering becomes unconditional and Offer Shares to be issued pursuant to the Global Offering, and (ii) the Over-allotment Option is not exercised), the following persons are expected to have or be deemed or taken to have an interest and/or a short position in our Shares or the underlying Shares of our Company which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who will be, directly or indirectly, interested in 10% or more of the number of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other members of our Group:

Name of Shareholder	Nature of interest	Class of Shares	Shares held in the total share capital of our Company as of the Latest Practicable Date and immediately prior to the Global Offering		Shares held in the total share capital of our Company immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised)	
			Number of Shares ⁽¹⁾	Approximate percentage of shareholding	Number of Shares ⁽¹⁾	Approximate percentage of shareholding
Jinsha Investment ⁽⁵⁾	Beneficial owner	Domestic Shares	252,130,281(L)	16.74%	252,130,281(L)	14.23%
Huake Engineering ⁽⁵⁾	Beneficial owner	Domestic Shares	98,658,313(L)	6.55%	98,658,313(L)	5.57%
Huake Investment ⁽⁵⁾	Beneficial owner	Domestic Shares	77,785,163(L)	5.16%	77,785,163(L)	4.39%
Jintan Hualuogeng ⁽²⁾ & ⁽⁵⁾	Interest in controlled corporation	Domestic Shares	176,443,476(L)	11.71%	176,443,476(L)	9.96%
Jintan Holding ⁽³⁾ , ⁽⁴⁾ & ⁽⁵⁾	Interest in controlled corporation	Domestic Shares	452,573,757(L)	30.04%	452,573,757(L)	25.53%
Jintan International ⁽⁴⁾ & ⁽⁵⁾	Beneficial owner	Domestic Shares	24,000,000(L)	1.59%	24,000,000(L)	1.35%
Lihang Jinzhi	Beneficial owner	Domestic Shares	141,866,141(L)	9.42%	141,866,141(L)	8.00%
Jinyuan Industry ⁽⁶⁾	Interest in controlled corporation	Domestic Shares	179,446,576(L)	11.91%	179,446,576(L)	10.12%
Jinyuan Investment ⁽⁷⁾	Interest in controlled corporation	Domestic Shares	253,809,580(L)	16.85%	253,809,580(L)	14.32%

SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	Nature of interest	Class of Shares	Shares held in the total share capital of our Company as of the Latest Practicable Date and immediately prior to the Global Offering		Shares held in the total share capital of our Company immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised)	
			Number of Shares ⁽¹⁾	Approximate percentage of shareholding	Number of Shares ⁽¹⁾	Approximate percentage of shareholding
Chengfei Integration	Beneficial owner	Domestic Shares	151,145,867(L)	10.03%	151,145,867(L)	8.53%
AVIC ⁽⁸⁾	Interest in controlled corporation	Domestic Shares	175,970,995(L)	11.68%	175,970,995(L)	9.93%

Notes:

- (1) The Letter “L” denotes the person’s long position in our Shares.
- (2) Each of Huake Engineering and Huake Investment is wholly owned by Jintan Hualuogeng. Jintan Hualuogeng is deemed to be interested in the Shares held by each of Huake Engineering and Huake Investment under the SFO.
- (3) Jinsha Investment is wholly owned by Jintan Holding. Jintan Hualuogeng is owned as to 90% by Jintan Holding. Jintan Holding is a state-owned enterprise and controlled by the Government of Jintan District. Jintan Holding is deemed to be interested in the Shares held by each of Jinsha Investment, Huake Engineering and Huake Investment under the SFO.
- (4) The investment by Jintan International in our Company was made in accordance with the instructions of Jintan Holding and Jintan International exercises its voting rights in our Company in accordance with the instructions of Jintan Holding.
- (5) Jinsha Investment, Huake Engineering, Huake Investment, Jintan International, Jintan Hualuogeng and Jintan Holding are a group of largest Shareholders and directly or indirectly control an aggregate of approximately 30.04% of our Company’s voting rights as of the Latest Practicable Date and immediately prior to the Global Offering and approximately 25.53% of our Company’s voting rights immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).
- (6) Lihang Jinzhi is a limited partnership established under the laws of the PRC with Xiamen Lihang Equity Investment Management Co., Ltd.* (廈門鯉航股權投資管理有限公司) being its general partner and Jinyuan Industry being its limited partner. According to the partnership agreement of Lihang Jinzhi which provides, among other things, that the investment decision committee of Lihang Jinzhi shall comprise three members of which Jinyuan Industry shall be entitled to nominate two members, Jinyuan Industry exercises de facto control of Lihang Jinzhi. As such, Jinyuan Industry is deemed to be interested in the Shares held by Lihang Jinzhi under the SFO. Jinyuan Industry directly owns approximately 2.49% interests in our Company and therefore Jinyuan Industry directly and indirectly controls an aggregate of approximately 11.91% of our Company’s voting rights as of the Latest Practicable Date and immediately prior to the Global Offering and approximately 10.12% of our Company’s voting rights immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

SUBSTANTIAL SHAREHOLDERS

- (7) Jinyuan Industry is a wholly owned subsidiary of Jinyuan Investment and as such Jinyuan Investment is deemed to be interested in all the Shares held by Lihang Jinzhi and Jinyuan Industry under the SFO. Moreover, each of Xiamen Jinli No. 2 and Jinli Investment owns approximately 1.59% and 0.85% interests in our Company respectively. Xiamen Jinli No. 2 is a limited partnership with Xiamen City Jinyuan Equity Investment Co., Ltd* (廈門市金圓股權投資有限公司) being its general partner. Xiamen City Jinyuan Equity Investment Co., Ltd* (廈門市金圓股權投資有限公司) is ultimately controlled by Jinyuan Investment. Jinli Investment is a limited partnership with Jinyuan Capital Management (Xiamen) Co., Ltd* (金圓資本管理(廈門)有限公司) being its general partner. Jinyuan Capital Management (Xiamen) Co., Ltd* (金圓資本管理(廈門)有限公司) is ultimately controlled by Jinyuan Investment. As such, Jinyuan Investment is also deemed to be interested in the Shares held by each of Xiamen Jinli No.2 and Jinli Investment under the SFO. Jinyuan Investment directly owns approximately 2.49% interests in our Company and therefore Jinyuan Investment directly and indirectly controls an aggregate of approximately 16.85% of our Company's voting rights as of the Latest Practicable Date and immediately prior to the Global Offering and approximately 14.32% of our Company's voting rights immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).
- (8) Chengfei Integration is a joint stock limited company whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 002190) and ultimately controlled by AVIC. As such, AVIC is deemed to be interested in the Shares held by Chengfei Integration under the SFO. Moreover, each of Aviation Industry Integration Fund, Missile Academy, Aviation Investment and Hongdu Airline owns approximately 0.80%, 0.65%, 0.11% and 0.09% interests in our Company respectively, and each of the above companies and partnerships is ultimately controlled by AVIC, which is also deemed to be interested in the Shares held by such companies and partnerships under the SFO. Therefore, AVIC indirectly controls an aggregate of approximately 11.68% of our Company's voting rights as of the Latest Practicable Date and immediately prior to the Global Offering and approximately 9.93% of our Company's voting rights immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

Save as disclosed above, our Directors are not aware of any person who will, immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), have an interest or a short positions in any Shares or underlying Shares, which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly interested in 10% or more of the issued voting shares of our Company.

OUR CORNERSTONE INVESTORS

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements (the “**Cornerstone Investment Agreements**”) with the following cornerstone investors:

- Tianqi Lithium HK Co., Limited (天齊鋰業香港有限公司) (“**Tianqi Lithium HK**”)
- Wang Sing International Resources Limited (宏盛國際資源有限公司) (“**Wang Sing International**”)
- Han’s Laser Technology Co., Limited (大族激光科技股份有限公司) (“**Han’s Laser Technology**”)
- CNGR Hong Kong Material Science & Technology Co., Limited (中偉(香港)新材料科技貿易有限公司) (“**CNGR HK**”)
- Tibet Nord Technology Co., Ltd* (西藏諾德科技有限公司) (“**Tibet Nord**”)
- Zhenshi Group (HK) Heshi Composite Materials Co., Limited (振石集團(香港)和石複合材料有限公司) (“**Heshi Composite**”)
- Changzhou Jingce New Energy Tech Co., Ltd* (常州精測新能源技術有限公司) (“**Changzhou Jingce**”)
- XING FA (HONG KONG) IMP.&EXP. LIMITED (興發香港進出口有限公司) (“**XING FA HK**”)
- XPeng Inc. (小鵬汽車有限公司) (“**XPeng**”)
- TMA International PTE. LTD. (TMA國際私人有限公司) (“**TMA**”)
- Mr. Lv Lizhi (呂禮志)
- Jiangsu Pure Precision Technology Co., Ltd.* (江蘇普正精密科技有限公司) (“**Jiangsu Pure Precision**”)
- vivo Mobile Communication Co., Ltd* (維沃移動通信有限公司) (“**vivo Mobile**”)
- Jiangmen New Energy
- Hefei Beicheng Construction Investment (Group) Company Limited* (合肥北城建設投資(集團)有限公司) (“**Hefei Beicheng**”)

(collectively, the “**Cornerstone Investors**”).

OUR CORNERSTONE INVESTORS

The Cornerstone Investors have agreed to, subject to certain conditions, subscribe or cause their designated entities to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 100 H Shares) which may be purchased at the Offer Price with an aggregate amount of approximately HK\$5,785.75 million (inclusive of the brokerage fee, the SFC transaction levy, the Stock Exchange trading fee and the FRC transaction levy) (the “**Cornerstone Placing**”).

Assuming an Offer Price of HK\$38.00 (being the low-end of the indicative Offer Price range set out in this prospectus), the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be 146,578,900 Offer Shares, representing approximately 55.14% of the Offer Shares and approximately 8.27% of our total issued share capital immediately upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised), or approximately 48.37% of the Offer Shares and approximately 8.10% of our total issued share capital immediately upon the completion of the Global Offering (assuming the Over-allotment Option is fully exercised).

Assuming an Offer Price of HK\$44.50 (being the mid-point of the indicative Offer Price range set out in this prospectus), the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be 125,168,400 Offer Shares, representing approximately 47.08% of the Offer Shares and approximately 7.06% of our total issued share capital immediately upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised), or approximately 41.30% of the Offer Shares and approximately 6.92% of our total issued share capital immediately upon the completion of the Global Offering (assuming the Over-allotment Option is fully exercised).

Assuming an Offer Price of HK\$51.00 (being the high-end of the indicative Offer Price range set out in this prospectus), the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be 109,215,200 Offer Shares, representing approximately 41.08% of the Offer Shares and approximately 6.16% of our total issued share capital immediately upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised), or approximately 36.04% of the Offer Shares and approximately 6.04% of our total issued share capital immediately upon the completion of the Global Offering (assuming the Over-allotment Option is fully exercised).

The Cornerstone Investors will acquire the Offer Shares pursuant to, and as part of, the International Offering. The Cornerstone Investors have agreed to pay for the relevant Offer Shares that they have subscribed before dealings in our Company’s H Shares commence on the Stock Exchange. Pursuant to the Cornerstone Investment Agreements, the Overall Coordinators, as applicable, have discretion to effect a delayed delivery of the Offer Shares to be subscribed by the Cornerstone Investors, subject to the conditions contained therein. Where delayed delivery takes place, each Cornerstone Investor that may be affected by such delayed delivery has agreed that it shall nevertheless pay for the relevant Offer Shares at or before 8 a.m. on the Listing Date. As such, there will be no deferred settlement for the investment amounts pursuant to the Cornerstone Investment Agreements. The Offer Shares to be subscribed by the Cornerstone Investors will rank *pari passu* in all respects with the other fully

OUR CORNERSTONE INVESTORS

paid Offer Shares in issue. Save for the Offer Shares to be subscribed by Hefei Beicheng and Jiangmen New Energy, all the other Offer Shares to be subscribed by the Cornerstone Investors will be counted towards the public float of our Company under Rule 8.08 of the Listing Rules.

The total number of Offer Shares to be subscribed by the Cornerstone Investors pursuant to the Cornerstone Placing may be affected by reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section headed “Structure of the Global Offering – The Hong Kong Public Offering – Reallocation”. Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement to be issued by our Company on or around October 5, 2022.

There are no side agreements/arrangement between our Company and the Cornerstone Investors or any benefit, direct or indirect, conferred on the Cornerstone Investors by virtue of or in relation to the Cornerstone Placing, and the Cornerstone Investors do not have any preferential rights in the Cornerstone Investment Agreements compared with other public Shareholders, other than a guaranteed allocation of the relevant Offer Shares at the Offer Price. None of the Cornerstone Investors will have any representation on the Board nor become a substantial shareholder of our Company immediately upon completion of the Global Offering, and the Cornerstone Investors will not subscribe for any Offer Shares under the Global Offering other than pursuant to the Cornerstone Investment Agreements.

Save as disclosed in this section below, our Company became acquainted with the Cornerstone Investors mainly through introduction by the relevant Underwriters. As confirmed by each of the Cornerstone Investors, their respective interest in our Company as a Cornerstone Investor is based on their confidence in our Company’s business and prospects. Save for Wang Sing International, as confirmed by each Cornerstone Investor, their subscription under the Cornerstone Placing would be financed by their own internal financial resources and/or financial resources of their ultimate beneficial owners. Our Company is of the view that, leveraging on the Cornerstone Investors’ investment experience, the Cornerstone Placing will help raise the profile of our Company and to signify that such investors have confidence in the growth and development of the EV battery industry in the PRC and in particular the future growth and business prospects of our Group.

OUR CORNERSTONE INVESTORS

To the best knowledge of our Company,

- (i) Save for Han's Laser Technology, Jiangmen New Energy and Hefei Beicheng, each of the Cornerstone Investors (and, for Cornerstone Investors who will subscribe for our Offer Shares through qualified domestic institutional investor "QDII", such QDIIs) is an Independent Third Party and is not our connected person, is not an existing Shareholder of our Company or a close associate of such existing Shareholder, and is independent of other Cornerstone Investors;
- (ii) save for Han's Laser Technology, none of the Cornerstone Investors is accustomed to take instructions from our Company, our subsidiaries, our Directors, the chief executive of our Company, Jintan Group, the substantial Shareholders or the existing Shareholders or any of their respective close associates in relation to the acquisition, disposal, voting or other disposition of securities of our Company registered in their name or otherwise held by them;
- (iii) save for Han's Laser Technology, none of the subscription of the relevant Offer Shares by any of the Cornerstone Investors is financed by our Company, our subsidiaries, our Directors, the chief executive of our Company, Jintan Group, the substantial Shareholders or the existing Shareholders or any of their respective close associates; and
- (iv) save for Tianqi Lithium HK, Wang Sing International, Han's Laser Technology, CNGR HK, Tibet Nord, Changzhou Jingce, XING FA HK, and XPeng, each of the Cornerstone Investors or their holding companies are not listed on any stock exchange.

To the extent that any Cornerstone Investor has engaged a PRC QDII to subscribe for the relevant Offer Shares on its behalf, such Cornerstone Investor will procure the PRC QDII to comply with the terms of its Cornerstone Investment Agreement in order to ensure the compliance of such Cornerstone Investor with its obligations under its Cornerstone Investment Agreement.

THE CORNERSTONE INVESTORS

Our Company has entered into Cornerstone Investment Agreements with the Cornerstone Investors in respect of the Cornerstone Placing.

OUR CORNERSTONE INVESTORS

The following tables set out certain details of the Cornerstone Placing:

Based on the Offer Price of HK\$38.00 (being the low-end of the indicative Offer Price range)

Cornerstone Investors	Investment amount ³ (USD '000)	Number of Offer Shares	Approximate % of total number of Offer Shares Assuming the Over-allotment Option is not exercised	Approximate % of the International Offer Shares Assuming the Over-allotment Option is not exercised	Approximate shareholding percentage in our Company immediately upon the completion of the Global Offering Assuming the Over-allotment Option is not exercised	Approximate shareholding percentage in our Company immediately upon the completion of the Global Offering Assuming the Over-allotment Option is exercised in full
Tianqi Lithium HK	100,000	19,859,500	7.47%	6.55%	7.86%	6.85%
Wang Sing International	80,000	15,887,600	5.98%	5.24%	6.29%	5.48%
Han's Laser Technology	50,000	9,929,700	3.74%	3.28%	3.93%	3.43%
CNGR HK	50,000	10,026,900	3.77%	3.31%	3.97%	3.46%
Tibet Nord	30,000	5,957,800	2.24%	1.97%	2.36%	2.06%
Heshi Composite	30,000	5,957,800	2.24%	1.97%	2.36%	2.06%
Changzhou Jingce	28,858	5,731,000	2.16%	1.89%	2.27%	1.98%
XING FA HK	25,000	4,964,800	1.87%	1.64%	1.97%	1.71%
XPeng	20,000	4,131,000	1.55%	1.36%	1.64%	1.43%
TMA	20,000	4,089,800	1.54%	1.35%	1.62%	1.41%
Mr. Lv Lizhi	16,400	3,256,900	1.23%	1.07%	1.29%	1.12%
Jiangsu Pure Precision	15,000	2,978,900	1.12%	0.98%	1.18%	1.03%
vivo Mobile	100,000	19,859,500	7.47%	6.55%	7.86%	6.85%
Jiangmen New Energy	101,003	20,058,600	7.55%	6.62%	7.94%	6.92%
Hefei Beicheng	69,259	13,889,100	5.22%	4.58%	5.50%	4.79%
Total	735,520	146,578,900	55.14%	48.37%	58.04%	50.58%
					8.27%	8.10%

Notes:

All share numbers and percentages in this table are for illustrative purpose only.

(1) Calculated based on the exchange rates as described in the section headed "Information about this Prospectus and the Global Offering – Exchange Rate Conversion". The actual investment amount of each Cornerstone Investor in Hong Kong dollars may vary due to the actual exchange rate prescribed in the relevant Cornerstone Investment Agreement.

(2) Subject to rounding down to the nearest whole board lot of 100 H Shares.

(3) Save for CNGR HK, XPeng and Hefei Beicheng, the investment amount included the brokerage fee, the SFC transaction levy, the Stock Exchange trading fee and the FRC transaction levy.

(4) The investment amounts of Changzhou Jingce, Jiangmen New Energy and Hefei Beicheng in the table are the US dollars equivalents of their respective investment amount in RMB, which are RMB200 million, RMB700 million and RMB480 million, respectively.

OUR CORNERSTONE INVESTORS

Based on the Offer Price of HK\$44.50 (being the mid-point of the indicative Offer Price range)

Cornerstone Investors	Investment amount ³ (USD '000)	Number of Offer Shares	Approximate % of total number of Offer Shares Assuming the Over-allotment Option is not exercised	Approximate % of total Offer Shares Assuming the Over-allotment Option is exercised in full	Approximate % of the International Offer Shares Assuming the Over-allotment Option is exercised in full	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	Approximate shareholding percentage in our Company immediately upon the completion of the Global Offering
Tianqi Lithium HK	100,000	16,958,600	6.38%	5.60%	6.71%	0.96%	0.94%	
Wang Sing International	80,000	13,566,900	5.10%	4.48%	5.37%	0.77%	0.75%	
Han's Laser Technology	50,000	8,479,300	3.19%	2.80%	3.36%	0.48%	0.47%	
CNGR HK	50,000	8,562,300	3.22%	2.83%	3.39%	0.48%	0.47%	
Tibet Nord	30,000	5,087,600	1.91%	1.68%	2.01%	0.29%	0.28%	
Heshi Composite	30,000	5,087,600	1.91%	1.68%	2.01%	0.29%	0.28%	
Changzhou Jingce	28,858	4,893,900	1.84%	1.61%	1.94%	0.28%	0.27%	
XING FA HK	25,000	4,239,600	1.59%	1.40%	1.68%	0.24%	0.23%	
XPeng	20,000	3,527,600	1.33%	1.16%	1.40%	0.20%	0.19%	
TMA	20,000	3,492,400	1.31%	1.15%	1.38%	0.20%	0.19%	
Mr. Lv Lizhi	16,400	2,781,200	1.05%	0.92%	1.10%	0.16%	0.15%	
Jiangsu Pure Precision	15,000	2,543,800	0.96%	0.84%	1.01%	0.14%	0.14%	
vivo Mobile	100,000	16,958,600	6.38%	5.60%	6.71%	0.96%	0.94%	
Jiangmen New Energy	101,003	17,128,700	6.44%	5.65%	6.78%	0.97%	0.95%	
Hefei Beicheng	69,259	11,860,300	4.46%	3.91%	4.70%	0.67%	0.66%	
Total	735,520	125,168,400	47.08%	41.30%	49.56%	7.06%	6.92%	

Notes:

- # All share numbers and percentages in this table are for illustrative purpose only.
- (1) Calculated based on the exchange rates as described in the section headed "Information about this Prospectus and the Global Offering – Exchange Rate Conversion". The actual investment amount of each Cornerstone Investor in Hong Kong dollars may vary due to the actual exchange rate prescribed in the relevant Cornerstone Investment Agreement.
- (2) Subject to rounding down to the nearest whole board lot of 100 H Shares.
- (3) Save for CNGR HK, XPeng and Hefei Beicheng, the investment amount included the brokerage fee, the SFC transaction levy, the Stock Exchange trading fee and the FRC transaction levy.
- (4) The investment amounts of Changzhou Jingce, Jiangmen New Energy and Hefei Beicheng in the table are the US dollars equivalents of their respective investment amount in RMB, which are RMB200 million, RMB700 million and RMB480 million, respectively.

OUR CORNERSTONE INVESTORS

Based on the Offer Price of HK\$51.00 (being the high-end of the indicative Offer Price range)

Cornerstone Investors	Investment amount ³ (USD '000)	Number of Offer Shares	Approximate % of total number of Offer Shares Assuming the Over-allotment Option is not exercised	Approximate % of total Offer Shares Assuming the Over-allotment Option is exercised in full	Approximate % of the International Offer Shares Assuming the Over-allotment Option is not exercised	Approximate % of the International Offer Shares Assuming the Over-allotment Option is exercised in full	Approximate shareholding percentage in our Company immediately upon the completion of the Global Offering Assuming the Over-allotment Option is not exercised	Approximate shareholding percentage in our Company immediately upon the completion of the Global Offering Assuming the Over-allotment Option is exercised in full
Tianqi Lithium HK	100,000	14,797,200	5.57%	4.88%	5.86%	5.11%	0.83%	0.82%
Wang Sing International	80,000	11,837,800	4.45%	3.91%	4.69%	4.09%	0.67%	0.65%
Han's Laser Technology	50,000	7,398,600	2.78%	2.44%	2.93%	2.55%	0.42%	0.41%
CNGR HK	50,000	7,471,000	2.81%	2.47%	2.96%	2.58%	0.42%	0.41%
Tibet Nord	30,000	4,439,100	1.67%	1.46%	1.76%	1.53%	0.25%	0.25%
Heshi Composite	30,000	4,439,100	1.67%	1.46%	1.76%	1.53%	0.25%	0.25%
Changzhou Jingce	28,858	4,270,100	1.61%	1.41%	1.69%	1.47%	0.24%	0.24%
XING FA HK	25,000	3,699,300	1.39%	1.22%	1.46%	1.28%	0.21%	0.20%
XPeng	20,000	3,078,000	1.16%	1.02%	1.22%	1.06%	0.17%	0.17%
TMA	20,000	3,047,300	1.15%	1.01%	1.21%	1.05%	0.17%	0.17%
Mr. Lv Lizhi	16,400	2,426,700	0.91%	0.80%	0.96%	0.84%	0.14%	0.13%
Jiangsu Pure Precision	15,000	2,219,500	0.83%	0.73%	0.88%	0.77%	0.13%	0.12%
vivo Mobile	100,000	14,797,200	5.57%	4.88%	5.86%	5.11%	0.83%	0.82%
Jiangmen New Energy	101,003	14,945,600	5.62%	4.93%	5.92%	5.16%	0.84%	0.83%
Hefei Beicheng	69,259	10,348,700	3.89%	3.41%	4.10%	3.57%	0.58%	0.57%
Total	735,520	109,215,200	41.08%	36.04%	43.24%	37.69%	6.16%	6.04%

Notes:

- # All share numbers and percentages in this table are for illustrative purpose only.
- (1) Calculated based on the exchange rates as described in the section headed "Information about this Prospectus and the Global Offering – Exchange Rate Conversion". The actual investment amount of each Cornerstone Investor in Hong Kong dollars may vary due to the actual exchange rate prescribed in the relevant Cornerstone Investment Agreement.
- (2) Subject to rounding down to the nearest whole board lot of 100 H Shares.
- (3) Save for CNGR HK, XPeng and Hefei Beicheng, the investment amount included the brokerage fee, the SFC transaction levy, the Stock Exchange trading fee and the FRC transaction levy.
- (4) The investment amounts of Changzhou Jingce, Jiangmen New Energy and Hefei Beicheng in the table are the US dollars equivalents of their respective investment amount in RMB, which are RMB200 million, RMB700 million and RMB480 million, respectively.

OUR CORNERSTONE INVESTORS

The following information on the Cornerstone Investors was provided to our Company by the Cornerstone Investors.

Tianqi Lithium HK

Tianqi Lithium HK is a wholly owned subsidiary of Tianqi Lithium. With over 20 years of experience in the lithium industry, Tianqi Lithium is a leading lithium producer in China and globally. Tianqi Lithium operates in critical stages of the lithium value chain, including (i) mining of lithium ore and manufacturing of lithium concentrate, and (ii) manufacturing of lithium compounds and derivatives. Tianqi Lithium has invested in the world-class lithium resources globally including China, Australia and Chile and produce lithium compounds and derivatives in China and Australia. Tianqi Lithium has been listed on the Shenzhen Stock Exchange (stock code: 002466) since August 31, 2010 and on the Main Board of the Stock Exchange (stock code: 9696) since July 13, 2022.

As of the Latest Practicable Date, Tianqi Lithium was owned as to 28.18% by Chengdu Tianqi Industrial (Group) Co., Limited (成都天齊實業(集團)有限公司), which in turn was owned as to 90% by Mr. Jiang Weiping (蔣衛平) and as to 10% by Ms. Jiang Anqi (蔣安琪), the daughter of Mr. Jiang Weiping and Ms. Zhang Jing (張靜). Ms. Zhang Jing, the spouse of Mr. Jiang Weiping, held 4.65% of the total issued share capital of Tianqi Lithium.

Tianqi Lithium HK requires the approval from its board of directors to invest in our Company and such approval has been obtained.

Tianqi Lithium is one of our suppliers and our Company mainly purchased battery grade lithium carbonate from Tianqi Lithium. In May 2022, our Company entered into the Strategic Partnership Agreement with Tianqi Lithium, pursuant to which we will cooperate in various fields including joint investment and cooperative research and development in areas such as battery cells and battery materials, new materials, lithium salt and lithium mining. In addition, we also entered into a sales contract with Tianqi Lithium for a term commencing from June 2022 to December 2022 pursuant to which, Tianqi Lithium agreed to supply battery grade lithium carbonate. The sales contract was entered into on an arm's length basis and on normal commercial terms and in the ordinary course of business of our Company.

On June 28, 2022 our Company entered into a cornerstone investment agreement with Tianqi Lithium pursuant to which our Company agreed to subscribe for 4,739,000 H shares in Tianqi Lithium (representing approximately 0.3% of Tianqi Lithium's total issued share capital upon the completion of its global offering) at the investment amount of approximately US\$50 million which has been fully paid in cash by our Company through qualified domestic institutional investor on July 11, 2022. Save as disclosed, our Company did not enter into any other transaction, agreement or arrangements with Tianqi Lithium concerning the acquisition of our H Shares.

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Our Company and Tianqi Lithium formed our respective decisions in investing in each other's issued share capital independently. Our Company believes that the cornerstone investment from Tianqi Lithium will further strengthen our relationship and will in turn help the growth and development of our Company in the EV Battery industry in the PRC.

Wang Sing International

Wang Sing International was incorporated in Hong Kong in May 2018, and is a wholly owned subsidiary of Chengtun Mining Group Co.Ltd listed in the Shanghai Stock Exchange (stock code: 600711) ("**Chengtun Mining**"). Chengtun Mining is principally engaged in development and utilization of energy metal resources, especially the metal varieties required for new energy batteries. Wang Sing International is principally engaged in private equity investment.

Wang Sing International was wholly owned by Chengtun Mining. As disclosed in Chengtun Mining's latest interim report, it was owned as to 1.42% by Mr. Yao Xiongjie (姚雄傑), an Independent Third Party and as to 18.47% by Shenzhen Chengtun Group Co., Ltd.* (深圳盛屯集團有限公司) ("**Chengtun Group**"), being the single largest shareholder, which is ultimately controlled by Mr. Yao Xiongjie and there was no other shareholder of Wang Sing International owned more than 10% in its shareholding interest.

Wang Sing International requires the approval from its investment committee to invest in our Company and such approval has been obtained.

Wang Sing International may obtain external financing by entering into certain financing arrangement(s) with Huatai Financial Holdings (Hong Kong) Limited (the Sole Sponsor, the Sponsor-OC, Joint Global Coordinator, Joint Bookrunners, Joint Lead Managers) to partially finance its subscription of the Offer Shares. The loan, if obtained, will be on normal commercial terms after arm's length negotiations with no other direct or indirect benefits given by Huatai Financial Holdings (Hong Kong) Limited. All or some of the Offer Shares to be subscribed for by Wang Sing International may be charged to Huatai Financial Holdings (Hong Kong) Limited as security for the financing arrangement(s). Under the financing arrangement(s), upon the occurrence of certain customary events of default, Wang Sing International will be required to repay the loan before its maturity. Huatai Financial Holdings (Hong Kong) Limited therefore has the right to enforce the security interest in the Offer Shares subject to such charge at any time upon the occurrence of certain customary events of default. In addition, the rights and benefits of Wang Sing International under the relevant cornerstone investment agreement may be transferred to Huatai Financial Holdings (Hong Kong) Limited, provided that Huatai Financial Holdings (Hong Kong) Limited shall not enforce such transferred rights during the six months following the Listing Date. Wang Sing International agrees and undertakes to the Company to procure Huatai Financial Holdings (Hong Kong) Limited, and Huatai Financial Holdings (Hong Kong) Limited also agrees and undertakes to the Company, not to dispose of the collateral shares under the financing arrangement(s) at any time during the period of six months following the Listing Date.

OUR CORNERSTONE INVESTORS

Han's Laser Technology

Han's Laser Technology was incorporated in Hong Kong in March 2007 and is a wholly owned subsidiary of Han's Laser Technology Industry Group Co., Ltd.* (大族激光科技產業集團股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (stock code: 002008) ("**Han's Laser**") since June 2004. Han's Laser is a professional and high-tech enterprise specializing in the research and development, manufacturing and sale of components and other key accessories of industrial laser processing equipment and plays a leading role globally with the advantages of vertical integration from basic accessories, entire equipment to manufacturing solutions. Our Company became acquainted with Han's Laser Technology through Han's Laser as it is the holding company of Hanshi Precision, one of our existing Shareholders. Our Company has applied and the Stock Exchange has granted us the waiver from strict compliance with Rule 10.04 of the Listing Rules in relation to the subscription of the Shares as cornerstone investor by Han's Laser Technology. Hanshi Precision currently holds 0.72% shareholding interest in our Company and will hold 0.61% shareholding interest immediately after the Global Offering (assuming Over-allotment Option has not been exercised). Please refer to the section headed "Waiver from Strict Compliance of Listing Rules" in this prospectus for further details.

As of the Latest Practicable Date, Han's Laser Technology was wholly owned by Han's Laser. As disclosed in Han's Laser's latest interim report, it was owned as to 9.16% by Mr. Gao Yunfeng (高雲峰), an Independent Third Party, and as to 15.38% by Han's Holdings Group Ltd. (大族控股集團有限公司) ("**Han's Holdings**") which is in turn controlled by Mr. Gao Yunfeng and they collectively formed the single largest shareholders' group of Han's Laser. Except for HKSCC, there was no other shareholder of Han's Laser owned more than 10% in its shareholding interest.

Han's Laser Technology requires the approval from Han's Laser to invest in our Company and such approval has been obtained.

CNGR HK

CNGR HK was incorporated in Hong Kong in February 2019, and is a wholly owned subsidiary of CNGR Advanced Materials Co., Ltd.* (中偉新材料股份有限公司) whose shares is listed in the Shenzhen Stock Exchange (stock code: 300919) ("**CNGR Advanced Material**") since December 2020. CNGR Advanced Materials is a professional, comprehensive service provider of advanced energy materials for lithium batteries.

As of the Latest Practicable Date, CNGR HK was wholly owned by CNGR Advanced Material which was owned as to 56.42% by Hunan CNGR Holding Group Co., Ltd.

CNGR requires the approval from CNGR Advanced Material to invest in our Company and such approval has been obtained.

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Tibet Nord

Tibet Nord was established on September 9, 2015 and is a subsidiary of Nuode Investment Co., Ltd. (諾德投資股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600110) (“**Nuode Investment**”). Tibet Nord is principally engaged in technology marketing and application service industry.

Nuode Investment is a new material high-tech enterprise in China that independently develops and produces electrolytic copper foil. It was established in 1989 and listed on the Shanghai Stock Exchange in 1997. Nuode Investment owns four major electrolytic copper foil production bases, and has become an internationally renowned leading supplier of lithium battery copper foil.

As of the Latest Practicable Date, Tibet Nord was wholly owned by Nuode Investment which was ultimately controlled by Mr. Chen Lizhi (陳立志).

Tibet Nord requires the approval from Nuode Investment to invest in our Company and such approval has been obtained.

Heshi Composite

Heshi Composite was incorporated in Hong Kong in June 2009, and is a wholly owned subsidiary of Zhenshi Holding Group Co., Ltd. (振石控股集團有限公司) (“**Zhenshi Group**”). Heshi Composite is principally engaged in investment in new energy, new materials and composite materials related industries, sales of composite materials, composite materials related machineries and import and export of raw materials.

As of the Latest Practicable Date, Heshi Composite was wholly owned by Zhenshi Group which was ultimately owned as to 70.28% by Mr. Zhang Yuqiang (張毓強), an Independent Third Party.

Heshi Composite does not require the approval from its shareholders to invest in our Company.

Changzhou Jingce

Changzhou Jingce was established in the PRC in May 2021, and is a subsidiary of Wuhan Jingce Electronic Group Co., Ltd.* (武漢精測電子集團股份有限公司) whose shares is listed in the Shenzhen Stock Exchange (stock code: 300567) (“**Jingce Electronic**”) since November 2016. Jingce Electronic is a comprehensive service provider with the equipment as the core in the semiconductor, display and new energy industries. Our company became acquainted with Changzhou Jingce as it is one of our business partner and Changzhou Jingce also has invested in Jiangsu Power and Energy Storage Battery Innovation Center Co. Ltd.* (江蘇動力及儲能電池創新中心有限公司) as to 10%, an associate of our company (“**Jiangsu Power**”).

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As of the Latest Practicable Date, Changzhou Jingce was owned as to 87.5% by Jingce Electronic and as to 12.5% by Shanghai Precision Measurement Semiconductor Technology Inc.* (上海精測半導體技術有限公司), which is also a subsidiary of Jingce Electronic. As disclosed in the latest interim report of Jingce Electronic, it was owned as to 25.21% by Mr. Peng Qian (彭騫), an Independent Third Party who was its single largest shareholder and there was no other shareholder of Jingce Electronic owned more than 10% in its shareholding interest.

Changzhou Jingce does not require approval from Jingce Electronic to invest in our Company.

XING FA HK

XING FA HK was incorporated in Hong Kong in March 2012 and is a wholly-owned subsidiary of Hubei Xingfa Chemicals Group Co.,Ltd. (“**Hubei Xingfa**”), whose shares are listed on the Shanghai Stock Exchange (stock code: 600141) and is ultimately controlled by the State-owned Assets Bureau of Xingshan County (興山縣), Hubei Province, the PRC. XING FA HK is principally engaged in the import and export of chemical products.

XING FA HK requires the approval from Hubei Xingfa to invest in our Company and such approval has been obtained.

XPeng

XPeng is a company controlled through weighted voting rights and incorporated in the Cayman Islands with limited liability. XPeng’s shares were respectively listed on the New York Stock Exchange (stock code: XPEV) since August 27, 2020 and on the Main Board of the Stock exchange (stock code: 9868) since July 7, 2021.

XPeng was established in 2015 and is one of the leading smart electric vehicles (“**Smart EV**”) companies based in the PRC which design, develop, manufacture and market Smart EVs that appeal to the large and growing base of middle-class consumers in China. XPeng is headquartered in Guangzhou, PRC, with main offices in Beijing, Shanghai, Silicon Valley, San Diego and Amsterdam and its Smart EVs are mainly manufactured at its plant in Zhaoqing, Guangdong Province. During the Track Record Period, XPeng is one of our top five customers.

XPeng does not require the approval from its shareholders or the Stock Exchange to invest in our Company.

TMA

TMA is a private limited company incorporated in August 2019 in the Republic of Singapore. TMA is principally engaged in the investment of equity interests in the new energy industry.

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As of the Latest Practicable Date, TMA was held as to 90% by TMA HONGKONG CONSULTING COMPANY LIMITED (華金(香港)諮詢有限公司) which was indirectly wholly owned by Mr. Chen Xuehua (陳雪華), an Independent Third Party.

TMA requires approval from its shareholders to invest in our Company and such approval has already been obtained.

Mr. Lv Lizhi 呂禮志

Mr. Lv Lizhi is an individual Cornerstone Investor and an Independent Third Party.

Jiangsu Pure Precision

Jiangsu Pure Precision was established in the PRC on September 4, 2019 and is principally engaged in the research and development, manufacturing and sale of batteries and accessories of new energy automobile. Our Company became acquainted with Jiangsu Pure Precision as it is one of our suppliers during Track Record Period.

As of the Latest Practicable Date, Jiangsu Pure Precision was owned as to 59.2% by Mr. Liu Dao (劉道), an Independent Third Party.

Jiangsu Pure Precision requires the approval from its shareholders to invest in our Company and such approval has been obtained.

vivo Mobile

vivo Mobile was established and registered with the Dongguan Administration for Industry and Commerce in June 2010 and is a technology company with a core focus on intelligent terminal and smart services. It is principally engaged in the production and sales of mobile terminal and telecommunication devices and the provision of information technology services and etc..

vivo Mobile owns mobile phone brands “vivo” and “iQOO” and it also offers electronic products such as wireless headphones, smart watches, and tablet computers to consumers. vivo Mobile has deployed an extensive R&D network, covering the cutting-edge fields of 5G communication, artificial intelligence, industrial design, imaging technology and many other personal consumer electronic products and services.

As of the Latest Practicable Date, vivo Mobile was wholly owned by vivo Holdings Co, Ltd.* (維沃控股有限公司) which was in turn held as to 64.29% by Labor’s Union Committee of vivo Holdings Co, Ltd. (維沃控股有限公司工會委員會).

vivo Mobile does not require approval from its shareholders to invest in our Company.

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Jiangmen New Energy

Jiangmen New Energy is a limited liability partnership established under the laws of the PRC on February 7, 2022 and is principally engaged in the investment in the new energy industry with its own funds. The general partner of Jiangmen New Energy is Jiangmen Rongsheng Investment Co., Ltd* (江門市融盛投資有限公司), which is in turn wholly owned by the Administration Commission of Jiangmen City* (江門市人民政府國有資產監督管理委員會).

Our Company became acquainted with Jiangmen New Energy as it is a shareholder of the Jiangmen Company (an insignificant subsidiary of our Company whose total assets, profits and revenue accounted for less than 10% of our Group for each of the latest three financial years or less than 5% of our Group for the latest financial year) holding 49% equity interest thereof. Our Company has applied and the Stock Exchange has granted us the waiver from strict compliance with Rule 9.09(b) of the Listing Rules in relation to the subscription of the Shares as cornerstone investor by Jiangmen New Energy. Please refer to the section headed “Waiver from Strict Compliance of Listing Rules” in this prospectus for further details.

Jiangmen New Energy requires the approval at its partners’ meeting to invest in our Company and such approval has been obtained.

Hefei Beicheng

Hefei Beicheng was established on March 26, 2007 and was invested and established by the Peoples’ Government of Changfeng County and is ultimately controlled by the Peoples’ Government of Changfeng County of Hefei City. Hefei Beicheng is an investment and operation state-owned group company that implements corporate legal person management and market-oriented operation. Hefei Beicheng is principally engaged in: scope of authorized activities include state-owned asset management and capital operation, implementing project investment management, asset earnings management, property supervision and management, asset restructuring and operation, construction waste and dregs disposal, etc; investment and financing services, conducting equity investments, investment consultation, investment management, asset management, etc; participating in large construction projects at county level and providing financial assistance, implementing urban and rural infrastructure construction, new rural construction, construction and management of indemnificatory housing, investment, construction and management of standardized factories, property management, etc.

Our Company became acquainted with Hefei Beicheng through introduction of Hefei Beicheng Investment as a shareholder of the Hefei Company (an insignificant subsidiary of our Company whose total assets, profits and revenue accounted for less than 10% of our Group for each of the latest three financial years or less than 5% of our Group for the latest financial year) holding 80% equity interest thereof. As disclosed in the section headed “History, Development and Corporate Structure”, pursuant to the voting rights entrustment agreement and concerted action agreement entered into between our Company and the Hefei Beicheng Investment on September 25, 2021, Hefei Beicheng Investment agreed to entrust the voting rights of 31% of

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Hefei Company to our Company, for a period of seven years from the date of the aforementioned agreements. In addition, according to the articles of association of Hefei Company, the board of directors of Hefei Company shall comprise three directors, of which our Company has the right to nominate two directors and the Hefei Beicheng Investment has the right to nominate one director. In view of such Entrustment Arrangement, our Company has more than 50% of the voting rights in Hefei Company and controls the board of directors of Hefei Company, and is therefore, regarded as a subsidiary of our Company and its finances are consolidated into the accounts of our Company. Both Hefei Beicheng and Hefei Beicheng Investment are ultimately controlled by the People's Government of Changfeng County of Hefei City and as such, our Company has applied and the Stock Exchange has granted us the waiver from strict compliance with Rule 9.09(b) of the Listing Rules in relation to the subscription of the Shares as cornerstone investor by Hefei Beicheng. Please refer to the section headed "Waiver from Strict Compliance of Listing Rules" in this prospectus for further details.

Hefei Beicheng requires the approval from its shareholders and the Changfeng County State-owned Asset Management Office* (長豐縣國有資產管理辦公室) to invest in our Company and such approvals have been obtained.

CONDITIONS PRECEDENT

The obligation of each of the Cornerstone Investors to acquire the relevant Offer Shares under the respective Cornerstone Investment Agreements is subject to, among other things, the following closing conditions:

- (a) the Hong Kong Underwriting Agreement and the Overall Coordinators, and the International Underwriting Agreement being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in these underwriting agreements, and neither of the aforesaid underwriting agreements having been terminated;
- (b) the Offer Price having been agreed upon between our Company and the Joint Global Coordinators and the Overall Coordinators (on behalf of the underwriters of the Global Offering, as applicable);
- (c) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the H Shares (including the Investor Shares) as well as other applicable waivers and approvals and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

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- (d) no relevant laws or regulations shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or herein and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and
- (e) the representations, warranties, undertakings, acknowledgements and confirmations of the relevant Cornerstone Investor under the relevant Cornerstone Investment Agreement are (as of the date of the Cornerstone Investment Agreement) and will be (as of the closing of the subscription of the Offer Shares in accordance with the terms and conditions of the Cornerstone Investment Agreement) accurate and true in all material respects and not misleading and that there is no material breach of the relevant Cornerstone Investment Agreement on the part of the relevant Cornerstone Investor.

RESTRICTIONS ON DISPOSAL OF OFFER SHARES BY THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date (the “**Lock-up Period**”), dispose of any of the Offer Shares they have purchased pursuant to the relevant Cornerstone Investment Agreements, save for certain limited circumstances for the relevant Cornerstone Investor, such as transfers to any of its wholly-owned subsidiaries who will be bound by the same obligations of such Cornerstone Investor, including the Lock-up Period restriction.

FINANCIAL INFORMATION

You should read the following discussion and analysis on our financial positions and operating results in conjunction with our consolidated financial statements as of December 31, 2019, 2020 and 2021 and March 31, 2022 and for each of the years ended December 31, 2019, 2020 and 2021 and each of the three months ended March 31, 2021 and 2022, along with the accompanying notes set out in the Accountant's Report included in the Appendix I to this Prospectus. The Accountant's Report has been prepared in accordance with IFRSs. Prospective investors should read the Accountant's Report included in the Appendix I to this Prospectus in its entirety and should not rely solely on the information set out in this section.

The following discussion and analysis contain certain forward-looking statements that reflect our current views with respect to future events that involve risks and uncertainties and financial performance. These statements are based on assumptions and analysis made by us in light of our experiences and understanding of historical matters, current conditions and expected future developments, as well as other factors we believe to be appropriate under the circumstances. However, whether actual outcome and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control or can predict. When assessing our businesses, you should duly and carefully consider all the information provided in this Prospectus, including sections headed "Risk Factors" and "Business".

OVERVIEW

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

We are mainly engaged in the design, R&D, production and sales of EV batteries and ESS products. Through the continuous innovation of technology, we have built a high degree of mutual trust, synergy and win-win relationship with partners in the upstream and downstream of the industry chain, leading the progress and development of the industry.

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According to Frost & Sullivan, in terms of installed capacity:

- we, with a 5.7% market share in 2020, 5.9% market share in 2021 and 8.2% market share for the three months ended March 31, 2022, ranked fourth and third in 2020; and third and second in both 2021 and the three months ended March 31, 2022, among EV battery companies in China and among third-party EV battery companies in China^{Note 1 & Note 2}, respectively;
- we, with a 2.7% market share in 2020, 3.2% market share in 2021 and 4.5% market share for the three months ended March 31, 2022, ranked seventh, seventh and sixth globally among EV battery companies, respectively; and
- we were the only company with over 100% year-on-year growth rate from 2019 to 2021 among the top ten EV battery companies in China^{Note 3} in 2021.

BASIS OF PREPARATION

The historical financial information has been prepared in accordance with all applicable international financial reporting standards (the “IFRSs”) issued by the International Accounting Standards Board (the “IASB”), consisting of International Financial Reporting Standards (the “IFRSs”), International Accounting Standards (the “IAS”) and the interpretations thereof. The historical financial information is also in compliance with the applicable disclosure provisions of the Listing Rules and the disclosure requirements of the Companies Ordinance.

Although the adoption of certain new and amended IFRSs may result in changes in accounting policies, it is expected that such IFRSs will not have any material impact on our operating results and financial positions.

Note 1 Third-party EV battery companies indicate those companies who do not engage in vehicle manufacturing and the EV battery products are mainly sold to external customers instead of their own brand of vehicles.

Note 2 In terms of installed capacity in 2021: (i) the top-three EV battery companies are CATL (market share of 52.1%), BYD (market share of 16.2%) and us (market share of 5.9%), and (ii) CATL is the largest third-party EV battery company, and we are the second largest. In terms of installed capacity for the three months ended March 31, 2022: (i) the top-three EV battery companies are CATL (market share of 49.8%), BYD (market share of 20.3%) and us (market share of 8.2%), and (ii) CATL is the largest third-party EV battery company, and we are the second largest.

Note 3 Entities with installed capacities of less than 0.1 GWh for two years in a row are not applied for calculating year-on-year growth rate.

FINANCIAL INFORMATION

FACTORS AFFECTING OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our business and 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:

- macroeconomic conditions and the growth of overall EV battery market;
- continuous investment and innovation in our technology;
- end markets that we serve and fluctuation in customer demand;
- management and expansion of our production capacity;
- our ability to control cost of sales and operating expenses; and
- government policies and regulations for NEVs and smart technology, such as subsidies for NEV purchases and government grants for NEV manufacturers.

Specific Factors Affecting Our Results of Operations

Besides the general factors affecting the industry, our business and results of operations are also affected by specific factors, including the following major factors:

Our ability to attract new customers and grow our customer base

Our results of operations depend significantly on our ability to attract orders from customers, which in turn, impacts our sales volume. We design our EV batteries for NEVs to satisfy the needs and preferences of NEV manufacturers. We enhance brand recognition among our target customers by consistently delivering technically advanced as well as performance superior products, so as to better satisfy the requirements of our target customers. Enhanced customer satisfaction will help to solidify our relationship with existing customers and attract new customers. In addition, we intend to strategically expand and strengthen our international market presence. As we continue to develop and launch products with market competitiveness, promote our brand and expand our sales and service network, we expect to attract more customers and achieve revenue growth.

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Investment in technology and talents and continued expansion of our product portfolio

We develop our key technologies in-house to achieve a rapid pace of innovation through significant investment of resources in R&D. At the same time, we recruit talented developers and engineers to grow our strength in the key technologies. We expect our strategic focus on innovations will further differentiate our products, which will in turn enhance our competitiveness.

Our ability to constantly introduce new products that meet the demand and preference of our customers will be an important contributor to our future growth. We plan to continuously introduce new products to expand our product portfolio and customer base. We expect our revenue growth to be driven in part by the continued expansion of our product portfolio.

Our ability to control raw material costs and improve operating efficiency

Our cost of sales primarily consists of raw material costs. We purchase a variety of raw materials, and other supplies for our production. We expect that our cost of sales will be affected primarily by the price of raw material and our production volume.

Our results of operations are further affected by our ability to maintain and improve our operating efficiency, thus it is critical for us to successfully manage production ramp-up and quality control so as to deliver products in adequate volume and of high quality to customers. Our supply chain affects our cost of sales and gross margin, and we will further enhance our management and continuously improve our cost management capability, as we ramp up production volume and achieve economies of scale. We also focus on the efficiency in manufacturing process as our production capacity expands. As we expand our product portfolio and grow our revenue, we expect our expenses as a percentage of our revenue to decrease. We may have challenges in our expansion process. See “Risk Factors – Risks Relating to Our Industry and Business – We have limited operating history in EV battery industry and our ability to develop, manufacture and deliver EV batteries is still evolving, and we may not be successful in expanding our operations or managing our growth effectively.”

IMPACT OF COVID-19 ON OUR OPERATIONS

Please see “Business – The Impact of the COVID-19 Pandemic” for further details on the impact of COVID-19 on our operations.

CRITICAL ACCOUNTING POLICIES

A summary of our significant accounting policies is set forth in note 4 to the Accountants’ Report in Appendix I to this prospectus. Critical accounting policies are those that require our management to exercise judgment in applying assumptions and making estimates that would yield materially different results if our management applied different assumptions or made different estimates. Estimates and judgments are continually re-evaluated and are based on historical experience and other factors, including industry practices and expectations of future

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events that are believed to be reasonable under the circumstances. We have not changed our assumptions or estimates in the past and have not noticed any material errors regarding our assumptions or estimates. Under current circumstances, we do not expect that our assumptions or estimates are likely to change significantly in the future. We believe the following critical accounting policies involve the most significant judgments in the preparation of our consolidated financial statements.

Revenue

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

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

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

Inventories

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

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognized in profit or loss during the period in which they are incurred. Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis.

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The principal annual depreciation rates are as follows:

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

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period. The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognized in profit or loss.

Intangible assets

Intangible assets are stated at cost less accumulated amortization and impairment losses. Intangible assets are amortized over their estimated useful lives on a straight-line method. The estimated useful lives are as follows:

Computer software	Not more than 10 years
Trademark	10 years
Patent	Not more than 10 years
Others	5 years

Trade and other receivables

A receivable is recognized when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognized before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset. Receivables are stated at amortized cost using the effective interest method less allowance for credit losses.

Government grants

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

Government grants relating to income are deferred and recognized in profit or loss over the period to match them with the costs they are intended to compensate.

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

Government grants relating to the purchase of assets are recorded as deferred income and recognized in profit or loss on a straight-line basis over the useful lives of the related assets.

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

Level 3 of fair value measurement

In respect of the valuation of level 3 financial liabilities at FVTPL-put option liabilities, with reference to the guidance under the “Guidance note on directors’ duties in the context of valuations in corporate transactions” issued by the SFC in May 2017 applicable to directors of companies listed on the Stock Exchange, our Directors adopted the following procedures:

- (i) selected qualified persons with adequate knowledge and conducted valuation on the put option liabilities without readily determinable fair value;
- (ii) carefully considered available information in assessing the financial data and assumptions including but not limited to discount rate, political and industry conditions;
- (iii) engaged independent valuer to appraise the fair value of the put option liabilities that are significant, provided necessary financial information to the valuer for the valuer to assess our valuation procedures and discussed with the valuer on relevant assumptions; and
- (iv) reviewed the valuation reports prepared by the valuer.

Based on the above procedures, our Directors are of the view that the valuation analysis performed by the valuer is fair and reasonable and our financial statements are properly prepared.

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The details on the fair value measurement of the put option liabilities, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs and the relationship of the unobservable inputs to the fair values, are disclosed in note 7 to Appendix I to this prospectus. Our reporting accountants, RSM Hong Kong, have carried out their work in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 “Accountants’ Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants for the purpose of expressing an opinion on our historical financial information for the Track Record Period as a whole. The reporting accountants’ opinion on the historical financial information of the Group for the Track Record Period as a whole is set out on page I-2 of Appendix I to this prospectus.

Having considered work done by the Directors and the reporting accountants and based on the due diligence work conducted by the Sole Sponsor, including but not limited to, (i) reviewed relevant notes in respect of fair value measurements and put option liabilities in the Accountant’s Report; (ii) reviewed the valuation report prepared by the valuer in respect of the level 3 financial liabilities; (iii) discussed with the reporting accountants in respect of the audit procedures conducted regarding the valuation; (iv) discussed with the valuer in respect of the assumptions, valuation techniques and methodologies applied to determine the valuation; (v) discussed with the Company to understand the key basis and assumptions for the valuation of the financial liabilities and the Company’s views on the fairness and reasonableness of the assumptions, basis and approaches of the valuation; (vi) obtained and reviewed the terms of the relevant agreements and documents regarding the financial liabilities; (vii) considered and assessed the reasonableness of the valuation methodology and the valuation process involved in the valuation of the level 3 financial instruments adopted by the Company; and (viii) considered and assessed the qualification, independence and credentials of the valuer, nothing has come to the Sole Sponsor’s attention that would reasonably cause it to cast doubt on the reasonableness of the explanations of the Directors and reporting accountants above.

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RESULTS OF OPERATIONS

The following table sets forth a summary, of our consolidated results of operations for the years and periods indicated. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	Year Ended December 31,			Three Months Ended March 31,	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	1,733,832	2,825,419	6,817,115	1,063,192	3,897,090
Cost of sales	(1,650,574)	(2,440,745)	(6,438,837)	(922,607)	(3,576,161)
Gross profit	83,258	384,674	378,278	140,585	320,929
Investment and other income ⁽¹⁾	18,662	31,644	176,247	29,102	62,804
Government grants and subsidies	308,595	134,861	364,509	46,615	151,071
Other gains/(losses), net ⁽²⁾	(142,008)	61,906	(89,541)	7,209	(40,995)
Selling expenses	(52,523)	(82,332)	(160,311)	(25,843)	(84,549)
Administrative expenses	(177,638)	(243,107)	(412,062)	(77,916)	(135,026)
R&D expenses	(135,892)	(201,989)	(285,256)	(45,586)	(159,199)
Gain on disposal of subsidiaries	–	–	347,240	–	–
Impairment loss on investment in associate	–	–	(178,700)	–	–
(Impairment losses)/reversal of impairment losses on trade and bill receivables	(35,418)	(23,351)	(26,600)	3,964	(365)
(Impairment losses)/reversal of impairment losses on prepayments, deposits and other receivables	(1,659)	(1,281)	(682)	1,650	(154)
(Loss)/profit from operations	(134,623)	61,025	113,122	79,780	114,516
Finance costs	(41,175)	(57,365)	(24,975)	(9,857)	(2,303)
Share of (losses)/profits of associates	(8,715)	637	(24,714)	3,553	14,573
Share of loss of a joint venture	–	–	–	–	–
(Loss)/profit before tax	(184,513)	4,297	63,433	73,476	126,786
Income tax credit/(expense)	28,112	(22,625)	48,107	(13,322)	(68,769)
(Loss)/profit for the year/period	(156,401)	(18,328)	111,540	60,154	58,017
Attributable to:					
Owners of our Company	(118,690)	5,157	140,029	64,937	63,553
Non-controlling interests	(37,711)	(23,485)	(28,489)	(4,783)	(5,356)
	(156,401)	(18,328)	111,540	60,154	58,017

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Note 1: Investment and other income mainly includes interest income from bank deposits and that from financial assets at fair value through other comprehensive income, etc.

Note 2: Other gains/(losses) mainly include allowance or reversal of allowance of inventories, impairment loss on property, plant and equipment, net gain or loss on disposals of property, plant and equipment, etc.

NON-IFRS MEASURE

To supplement our consolidated statements of profit or loss which are presented in accordance with IFRS, we also use EBITDA as a non-IFRS measure, which is not required by, or presented in accordance with, IFRS. We believe that this non-IFRS measure facilitates comparison of operating performance from period to period by eliminating potential impacts of certain items.

We believe that this measure provides useful information to investors and others in understanding and evaluating our consolidated statements of profit or loss in the same manner as they help our management. However, our presentation of EBITDA (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of this non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, our combined statements of profit or loss or financial condition as reported under IFRS.

We define EBITDA (non-IFRS measure) as (loss)/profit for the year/period plus finance costs, depreciation and amortisation, and income tax expense, and less interest income and income tax credit.

	Year ended December 31,			Three months ended	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
(Loss)/profit for the year	(156,401)	(18,328)	111,540	60,154	58,017
Income tax (credit)/expense	(28,112)	22,625	(48,107)	13,322	68,769
Finance costs	41,175	57,365	24,975	9,857	2,303
Interest income	(17,917)	(27,709)	(172,266)	(28,309)	(62,274)
Depreciation and amortization	277,014	316,467	557,625	113,033	187,711
EBITDA (non-IFRS measure)	115,759	350,420	473,767	168,057	254,526
EBITDA margin (non-IFRS measure)	6.7%	12.4%	6.9%	15.8%	6.5%

Note: EBITDA margin (non-IFRS measure) is calculated based on EBITDA (non-IFRS measure) divided by revenue for the relevant year/period.

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In 2019, we completed the acquisition of Luoyang Company. Please see “History, Development and Corporate Structure – Our Corporate Development – Major changes in shareholding and corporate form – Equity transfer and capital increases in July 2019” for more details.

Luoyang Company constituted a material portion of our financial results during the Track Record Period. To facilitate our investors to understand the financial performance of Luoyang Company, we set forth the financial information of Luoyang Company, which represents amounts before inter-company eliminations and extracted from Note 24 to the Appendix I, as follows.

	For the period from July 1 to December 31, 2019	Year ended December 31, 2020	For the period from January 1 to November 7, 2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	626,667	1,020,546	1,169,553
Cost of sales	(589,716)	(936,026)	(1,060,380)
Gross profit	36,951	84,520	109,173
Loss from operations	(108,454)	(38,075)	(89,942)
Loss before tax	(136,852)	(73,698)	(100,514)
Loss for the year/period	(120,072)	(88,159)	(96,447)

For illustration purpose, excluding the effect of inter-group transaction, our total revenue would be RMB1,130.1 million, RMB1,799.5 million and RMB5,891.5 million for the years ended December 31, 2019, 2020 and 2021 after excluding the revenue derived from Luoyang Company, which shows an increasing trend as the Group excluding Luoyang Company experienced increase in its sales volume of EV battery products and ESS products. The fluctuation of our revenue after excluding Luoyang Company was generally in line with that of our total revenue. For more details on our revenue fluctuation, please see “Financial Information – Comparison of Results of Operation”. In addition, the revenue derived from Luoyang Company under our consolidated statement of profit or loss accounted for approximately 34.8%, 36.3% and 13.6% of our total revenue for the three years ended December 31, 2021, which indicates that Luoyang Company had less impact on our total revenue. The operating expenses, including selling expenses, administrative expenses, R&D expenses and finance costs, incurred by Luoyang Company under our consolidated statement of profit or loss accounted for approximately 37.2%, 43.1% and 21.7% of our total operating expenses for the three years ended December 31, 2021. For more details about Luoyang Company, please refer to “History, development and corporate structure – Acquisition and disposal of Luoyang Company”.

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PRINCIPAL COMPONENTS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Revenue

During the Track Record Period, we derived substantially all of our revenue from the sales of our products, including EV batteries and ESS products.

Our total revenue increased by 63.0% from RMB1,733.8 million for the year ended December 31, 2019 to RMB2,825.4 million for the year ended December 31, 2020. Our total revenue increased materially from RMB2,825.4 million for the year ended December 31, 2020 to RMB6,817.1 million for the year ended December 31, 2021. Our total revenue increased by 266.5% from RMB1,063.2 million for the three months ended March 31, 2021 to RMB3,897.1 million for the three months ended March 31, 2022. This strong increase was mainly due to the increase in sales volume, which was mainly driven by the rapid growth in demand of our EV batteries as supported by the increase in our production capacities. At the same time, the sales of our ESS products also experienced growth, which in turn, was mainly driven by the increase in sales to certain major customers. The increase in the revenue from our other products was mainly attributable to the sales of scrap materials, downgraded products, raw materials and slow-moving goods. In addition, our revenue increased materially for the three months ended March 31, 2022 when compared with the corresponding period in 2021. We managed to achieve such substantial growth through both (i) a material growth in operational scale, whereby our production capacity increased from 1.99GWh for the three months ended March 31, 2021 to 4.14GWh for the three months ended March 31, 2022 and our production volume increased from 1.88GWh for the three months ended March 31, 2021 to 3.97GWh for the three months ended March 31, 2022, which is also reflected in our high utilization rates of 94.4% and 95.9% for the corresponding periods; and (ii) a solid and diversified customer base, whereby while deepening our relationship with existing customers, we also successfully established and developed business relationships with certain new customers. See “Customer Concentration – 2. Customer Diversification and Ability to Develop New Customers” in this section for further details of the number of our new customers (except for Customer G) and their corresponding revenue contribution.

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Revenue by Products

The following table sets forth a breakdown of our revenue by products, each expressed in the absolute amount and as a percentage of our total revenue, for the years and periods indicated.

	Years Ended December 31,						Three Months Ended March 31,			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
EV battery	1,409,888	81.3	2,499,300	88.5	6,065,200	89.0	960,957	90.4	3,691,182	94.7
ESS	181,166	10.5	238,181	8.4	446,080	6.5	74,634	7.0	100,129	2.6
Others	142,778	8.2	87,938	3.1	305,835	4.5	27,601	2.6	105,779	2.7
Total	1,733,832	100	2,825,419	100	6,817,115	100	1,063,192	100	3,897,090	100

Note: Others mainly include the sales of scrap materials, downgraded products, raw materials and slow-moving goods.

Sales Volume and Average Selling Price of Our Products

The table below sets forth our sales volume and average selling price of our main product during the Track Record Period.

	Years Ended December 31,						Three Months Ended March 31,			
	2019		2020		2021		2021		2022	
	Average		Average		Average		Average		Average	
	Sales	selling	Sales	selling	Sales	selling	Sales	selling	Sales	selling
	volume	price	volume	price	volume	price	volume	price	volume	price
	(GWh)	(RMB/Wh)	(GWh)	(RMB/Wh)	(GWh)	(RMB/Wh)	(GWh)	(RMB/Wh)	(GWh)	(RMB/Wh)
EV battery	1.62	0.87	3.93	0.64	9.31	0.65	1.45	0.66	4.57	0.81
ESS	0.20	0.90	0.33	0.73	0.67	0.67	0.09	0.79	0.15	0.68

Note: In addition, we recorded the revenue from others arising from sales volume of other batteries of 0.06GWh, 0.17GWh, 0.48GWh, 0.06GWh, and 0.08GWh for the year ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, respectively. Such sales volume was mainly due to the sales of downgraded products.

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During the Track Record Period, the fluctuations in our average selling price of EV batteries were mainly due to (i) the fluctuations in the selling price of such products in the industry as a whole; and (ii) as the subsidies for NEVs decreased, relevant NEV manufacturers downwardly adjusted the selling price of their products, and were more cost-sensitive, so as we made relevant adjustments in our selling prices of certain products per negotiation with our customers. In addition, such fluctuations in our average selling price of EV batteries were partially due to the decrease in our raw material costs as our cost-plus pricing policy takes into account the prices of our raw materials. For the three months ended March 31, 2022, the increase in the average selling price of EV batteries was mainly due to the price adjustment for some of products sold to our major customers in response to the increase in the price of raw materials of EV batteries. In the same period, the fluctuations in the average selling price of ESS products was mainly due to the higher portion of ESS products with fewer/cheaper technical specifications, which entailed a lower selling price, sold for the year ended December 31, 2020. Also, with technological advancement and reduction in cost, the selling prices of our products were adjusted accordingly.

Revenue by Region

The following table sets forth a breakdown of our revenue by region, each expressed in the absolute amount and as a percentage of our total revenue, for the years and periods indicated.

	Years Ended December 31,						Three Months Ended March 31,			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Mainland China	1,606,642	92.7	2,685,033	95.0	6,643,764	97.5	1,010,832	95.1	3,837,712	98.5
Overseas	127,190	7.3	140,386	5.0	173,351	2.5	52,360	4.9	59,378	1.5
Total	1,733,832	100	2,825,419	100	6,817,115	100	1,063,192	100	3,897,090	100

Revenue from mainland China and overseas represent revenue from sales of products delivered to mainland China and overseas delivery locations, respectively. During the Track Record Period, mainland China was our major market, accounting for over 90% of our total revenue. Our revenue from mainland China increased by 67.1% from RMB1,606.6 million for the year ended December 31, 2019 to RMB2,685.0 million for the year ended December 31, 2020. Our revenue from mainland China increased significantly from RMB2,685.0 million for the year ended December 31, 2020 to RMB6,643.8 million for the year ended December 31, 2021. Our revenue from mainland China increased significantly from RMB1,010.8 million for the three months ended March 31, 2021 to RMB3,837.7 million for the three months ended March 31, 2022. Such strong growth is mainly due to an increase in sale volume, which was mainly the result of continuous increase and release of our production capacity, and our major customer's rapidly growing demand for our batteries. Sale volume from our top five customers

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in mainland China increased from 1.58GWh in 2019 to 3.86GWh in 2020, and further to 8.83GWh in 2021. In addition, sale volume from our top five customers in mainland China increased from 1.39GWh for the three months ended March 31, 2021 to 4.11GWh for the three months ended March 31, 2022.

During the Track Record Period, our overseas revenue was mainly derived from other countries in Europe, America and Asia. Our overseas revenue increased by 10.4% from RMB127.2 million for the year ended December 31, 2019 to RMB140.4 million for the year ended December 31, 2020. Our overseas revenue increased by 23.5% from RMB140.4 million for the year ended December 31, 2020 to RMB173.4 million for the year ended December 31, 2021. The increase was primarily attributable to the increase in revenue from the European and American markets from RMB87.5 million for the year ended December 31, 2019 to RMB99.7 million for the year ended December 31, 2020, and further to RMB128.8 million for the year ended December 31, 2021. In addition, our overseas revenue increased by 13.4% from RMB52.4 million for the three months ended March 31, 2021 to RMB59.4 million for the three months ended March 31, 2022. The increase was primarily attributable to the increase in revenue from the Asia markets from RMB11.8 million for the three months ended March 31, 2021 to RMB24.8 million for the three months ended March 31, 2022.

Sales Volume and Average Selling Price by Region

The table below sets forth our sales volume and average selling price by region during the Track Record Period.

	Years Ended December 31,						Three Months Ended March 31,			
	2019		2020		2021		2021		2022	
	Average Sales volume	Average selling price	Average Sales volume	Average selling price	Average Sales volume	Average selling price	Average Sales volume	Average selling price	Average Sales volume	Average selling price
	(GWh)	(RMB/Wh)	(GWh)	(RMB/Wh)	(GWh)	(RMB/Wh)	(GWh)	(RMB/Wh)	(GWh)	(RMB/Wh)
Mainland										
China	1.78	0.90	4.30	0.62	10.26	0.65	1.55	0.65	4.73	0.81
Overseas	0.10	1.26	0.12	1.15	0.20	0.88	0.05	0.97	0.07	0.82
	<u>1.88</u>	<u>0.92</u>	<u>4.42</u>	<u>0.64</u>	<u>10.46</u>	<u>0.65</u>	<u>1.60</u>	<u>0.66</u>	<u>4.80</u>	<u>0.81</u>

During the Track Record Period, our average selling price from mainland China was lower than that from overseas, mainly due to the difference between the product portfolio we sold overseas and in China, we mainly sold ESS products with higher average selling price overseas.

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Revenue by Battery Type

The following table sets forth a breakdown of our revenue by battery type, each expressed in the absolute amount and as a percentage of our total revenue, for the years and periods indicated.

	Years Ended December 31,						Three Months Ended March 31,			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Ternary battery	1,306,382	75.3	2,318,092	82.0	5,548,050	81.4	877,817	82.6	2,930,190	75.2
LFP battery	302,117	17.4	448,024	15.9	1,060,645	15.6	167,667	15.8	873,626	22.4
Others	125,333	7.3	59,303	2.1	208,420	3.0	17,708	1.6	93,274	2.4
Total	1,733,832	100	2,825,419	100	6,817,115	100	1,063,192	100	3,897,090	100

Note: Others mainly include the sales of scrap materials, raw materials and slow-moving goods.

Ternary battery

During the Track Record Period, ternary batteries were our main product sold, accounting for more than 75% of our total revenue, and contributed the most to our revenue. Our revenue from sales of ternary batteries increased by 77.4% from RMB1,306.4 million for the year ended December 31, 2019 to RMB2,318.1 million for the year ended December 31, 2020. Our revenue from the sale of ternary batteries increased by 139.3% from RMB2,318.1 million for the year ended December 31, 2020 to RMB5,548.1 million for the year ended December 31, 2021. Such strong growth is mainly driven by the NEV market's rapidly growing demand for ternary batteries, resulting in substantial increase in our sale volume from customers. Sale volume from our top five customers buying our ternary batteries increased from 1.54 GWh in 2019 to 8.08 GWh in 2021. In addition, our revenue from the sale of ternary batteries increased by 233.8% from RMB877.8 million for the three months ended March 31, 2021 to RMB2,930.2 million for the three months ended March 31, 2022. Such growth is mainly driven by the NEV market's rapidly growing demand for ternary batteries, resulting in substantial increase in our sale volume from customers. Sale volume from our top five customers buying our ternary batteries increased from 1.28 GWh for the three months ended March 31, 2021 to 3.37 GWh for the three months ended March 31, 2022.

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LFP battery

During the Track Record Period, our revenue from the sale of LFP batteries increased by 48.3% from RMB302.1 million for the year ended December 31, 2019 to RMB448.0 million for the year ended December 31, 2020. Our revenue from the sale of LFP batteries increased by 136.7% from RMB448.0 million for the year ended December 31, 2020 to RMB1,060.6 million for the year ended December 31, 2021. Such growth is mainly driven by the NEV market and the energy storage market's rapidly growing demand for LFP batteries, resulting in substantial increase in our sale volume. Sale volume from our top five customers buying our LFP batteries increased from 0.20 GWh in 2019 to 1.13 GWh in 2021. In addition, our revenue from the sale of LFP batteries increased by 420.9% from RMB167.7 million for the three months ended March 31, 2021 to RMB873.6 million for the three months ended March 31, 2022. Such growth is mainly driven by the NEV market and the energy storage market's rapidly growing demand for LFP batteries, resulting in substantial increase in our sale volume. Sale volume from our top five customers buying our LFP batteries increased from 0.23 GWh for the three months ended March 31, 2021 to 1.04 GWh for the three months ended March 31, 2022.

Other

During the Track Record Period, our revenue from the sale of other products decreased by 52.7% from RMB125.3 million for the year ended December 31, 2019 to RMB59.3 million for the year ended December 31, 2020. Our revenue from the sales of other products increased significantly from RMB59.3 million for the year ended December 31, 2020 to RMB208.4 million for the year ended December 31, 2021 and from RMB17.7 million for the three months ended March 31, 2021 to RMB93.3 million for the three months ended March 31, 2022. Such significant increase is mainly because as the production scale of the company expanded, so did the scrap materials and downgraded products produced during the production process, and sale volume of scrap materials and downgraded products increased. The decrease from 2019 to 2020 was due to sales of raw materials to Luoyang Company prior to us acquiring Luoyang Company in July 2019 as a subsidiary, such sales were not recognised as external after the acquisition.

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Sales Volume and Average Selling Price by Battery Type

The table below sets forth our sales volume and average selling price by battery type during the Track Record Period.

	Years Ended December 31,						Three Months Ended March 31,			
	2019		2020		2021		2021		2022	
	Average		Average		Average		Average		Average	
	Sales	selling	Sales	selling	Sales	selling	Sales	selling	Sales	selling
	volume	price	volume	price	volume	price	volume	price	volume	price
	(GWh)	(RMB/Wh)	(GWh)	(RMB/Wh)	(GWh)	(RMB/Wh)	(GWh)	(RMB/Wh)	(GWh)	(RMB/Wh)
Ternary										
battery	1.58	0.83	3.81	0.61	8.69	0.64	1.32	0.67	3.54	0.83
LFP battery	0.30	1.01	0.61	0.74	1.77	0.60	0.28	0.58	1.26	0.69
	<u>1.88</u>	<u>0.92</u>	<u>4.42</u>	<u>0.64</u>	<u>10.46</u>	<u>0.65</u>	<u>1.60</u>	<u>0.66</u>	<u>4.80</u>	<u>0.81</u>

During the Track Record Period, due to change in the subsidy policy of NEV manufacturers, NEV manufacturers received less subsidies. We also lowered the selling price in order to strengthen the cooperation with NEV manufacturers. In addition, as technology advances and costs decrease, the selling price of our products also decreases. In 2021, we made price adjustments to certain major customers of ternary battery, resulting in an increase in the selling price of our ternary battery in 2021.

EV Battery by Downstream Application

The following table sets forth a breakdown of our EV battery revenue by downstream application, each expressed in the absolute amount and as a percentage of our EV battery revenue, for the years and periods indicated.

	Years Ended December 31,						Three Months Ended March 31,			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Passenger vehicles	1,288,221	91.4	2,328,751	93.2	5,750,008	94.8	923,145	96.1	3,411,038	92.4
Commercial										
vehicles	69,857	5.0	64,569	2.6	236,816	3.9	11,754	1.2	276,935	7.5
Others	51,810	3.6	105,980	4.2	78,376	1.3	26,058	2.7	3,209	0.1
Total	<u>1,409,888</u>	<u>100</u>	<u>2,499,300</u>	<u>100</u>	<u>6,065,200</u>	<u>100</u>	<u>960,957</u>	<u>100</u>	<u>3,691,182</u>	<u>100</u>

Note: Others mainly include specialized equipment battery, mining battery and equipment power supply, etc.

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Passenger vehicle

During the Track Record Period, the EV batteries we sold were mainly used by the passenger vehicle manufacturers, which contributed more than 90% to our EV battery revenue. Our revenue from sales to the passenger vehicles manufacturers increased by 80.8% from RMB1,288.2 million for the year ended December 31, 2019 to RMB2,328.8 million for the year ended December 31, 2020. Our revenue from sales to the passenger vehicle manufacturers increased by 146.9% from RMB2,328.8 million for the year ended December 31, 2020 to RMB5,750.0 million for the year ended December 31, 2021. Such strong growth is mainly due to an increase in our sale volume and number of customers, such increase is mainly due to our focus on the passenger EV market after our strategic transformation in 2018, and the strong demand in the passenger vehicles market during the Track Record Period. The revenue from Customer G, Customer C and Customer X increased from RMB1,147.6 million for the year ended December 31, 2019 to RMB2,140.3 million for the year ended December 31, 2020, and further to RMB5,021.7 million for the year ended December 31, 2021. In addition, our revenue from sales to the passenger vehicle manufacturers increased by 269.5% from RMB923.1 million for the three months ended March 31, 2021 to RMB3,411.0 million for the three months ended March 31, 2022. Such growth is mainly due to our commitment to customer development in the passenger vehicle market, resulting in an increase in our sale volume, which in turn led to a significant increase in our revenue for the three months ending March 31, 2022. The revenue from Customer G, Customer C and Customer X increased from RMB834.8 million for the three months ended March 31, 2021 to RMB2,537.5 million for the three months ended March 31, 2022.

Commercial vehicle

During the Track Record Period, our revenue from sales to the commercial vehicle manufacturers were RMB69.9 million for the year ended December 31, 2019 and RMB64.6 million for the year ended December 31, 2020. Our revenue from sales to the commercial vehicle manufacturers increased significantly from RMB64.6 million for the year ended December 31, 2020 to RMB236.8 million for the year ended December 31, 2021 and from RMB11.8 million for the three months ended March 31, 2021 to RMB276.9 million for the three months ended March 31, 2022. We started to increase our efforts in customer development in the commercial vehicle market at the end of 2020, resulting in substantial increase in revenue from new customers in 2021 and the three months ended March 31, 2022.

Others

During the Track Record Period, our revenue from sales to other types of customers increased by 104.6% from RMB51.8 million for the year ended December 31, 2019 to RMB106.0 million for the year ended December 31, 2020. Our revenue from sales to other types of customers decreased by 26.0% from RMB106.0 million for the year ended December 31, 2020 to RMB78.4 million for the year ended December 31, 2021 and decreased by 87.7% from RMB26.1 million for the three months ended March 31, 2021 to RMB3.2 million for the three months ended March 31, 2022. Such change is mainly due to the decrease in certain customers' demand of our products.

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Sales Volume and Average Selling Price of EV Battery by Downstream Application

The table below sets forth our sales volume and average selling price of our EV battery by downstream application during the Track Record Period.

	Years Ended December 31,						Three Months Ended March 31,			
	2019		2020		2021		2021		2022	
	Average Sales volume	Average selling price	Average Sales volume	Average selling price	Average Sales volume	Average selling price	Average Sales volume	Average selling price	Average Sales volume	Average selling price
	(GWh)	(RMB/Wh)	(GWh)	(RMB/Wh)	(GWh)	(RMB/Wh)	(GWh)	(RMB/Wh)	(GWh)	(RMB/Wh)
Passenger Vehicles	1.51	0.85	3.79	0.61	8.94	0.64	1.43	0.65	4.20	0.81
Commercial Vehicles	0.08	0.90	0.08	0.84	0.32	0.74	0.01	0.79	0.37	0.75
Others	0.03	1.88	0.06	1.67	0.05	1.66	0.01	1.90	0.00	0.65
	<u>1.62</u>	<u>0.87</u>	<u>3.93</u>	<u>0.64</u>	<u>9.31</u>	<u>0.65</u>	<u>1.45</u>	<u>0.66</u>	<u>4.57</u>	<u>0.81</u>

During the Track Record Period, our average selling price for sales to other application was higher than that for sales to the passenger vehicle application, mainly due to the products we deliver to other application were professional and specialized equipment batteries resulting in higher selling price. The average selling price for EV batteries to commercial vehicles decreased during the Track Record Period, mainly because the Group launched new products with competitive price so as to increase efforts in customer development in the commercial vehicle market. Our average selling price for sales to other application and commercial vehicles application were lower than that for sales to the passenger vehicle application for the three months ended March 31, 2022, which primarily because (i) we ceased to sell the professional and specialized equipment batteries manufactured by Luoyang Company; (ii) we made price adjustment for sales to the passenger vehicle application in response to the increase in the price of raw materials; and (iii) our products sold to commercial vehicle market have a long lead time and there is a certain time lag in adjusting the price of such products.

Cost of Sales

Cost of sales primarily consists of raw material costs, direct labor costs and manufacturing costs. Our cost of sales increased by 47.9% from RMB1,650.6 million for the year ended December 31, 2019 to RMB2,440.7 million for the year ended December 31, 2020, and further increased by 163.8% to RMB6,438.8 million for the year ended December 31, 2021, mainly due to the increase in raw material costs and manufacturing costs. The increase was attributable to the increase in our sales volume and the increase in price of our main raw materials, including cathode materials and electrolytes. Our cost of sales increased by 287.6% from RMB922.6 million for the three months ended March 31, 2021 to RMB3,576.2 million for the three months ended March 31, 2022.

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Cost of Sales by Nature

The following table sets forth a breakdown of our cost of sales by nature, expressed as an absolute amount and as a percentage of our total cost of sales, for the years and periods indicated.

	Years Ended December 31,						Three Months Ended March 31,			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(unaudited)			
Cost of sales										
Raw materials	1,270,989	77.0	1,856,632	76.1	5,418,907	84.2	751,880	81.5	2,999,197	83.9
Manufacturing costs	288,322	17.5	445,323	18.2	775,721	12.0	129,128	14.0	419,772	11.7
Direct labor costs	91,263	5.5	138,790	5.7	244,209	3.8	41,599	4.5	157,192	4.4
Total	1,650,574	100	2,440,745	100	6,438,837	100	922,607	100	3,576,161	100

Note: When recording the entrusted processing services from Luoyang Company under the entrusted processing services arrangement, our Company broken down the cost by raw material cost, manufacturing costs and director labor costs.

Raw material costs

Raw material costs were the largest component of our cost of sales and primarily consisted of the cost of cathode materials, anode materials, electrolytes and separators. Raw material costs accounted for 77.0%, 76.1%, 84.2%, 81.5% and 83.9%, respectively, of our cost of sales for each of the years ended December 31, 2019, 2020 and 2021 and each of the three months ended March 31, 2021 and 2022. During the Track Record Period, the increase in our raw material costs was mainly due to the increase in sales volume and the substantial increase in market price of battery raw materials. In turn, such substantial increase was primarily due to (i) the increase in raw materials prices in 2021 when compared with 2020, whereby our average purchase price of cathode materials increased by approximately 37% and the average purchase price of electrolyte increased by approximately 60%; and (ii) the further increase in the price of raw materials for the three months ended March 31, 2022, resulting in our average purchase price of cathode materials increasing by approximately 104% as compared with the same period of 2021 and the average purchase price of electrolyte increasing by approximately 60% as compared with the same period of 2021.

The cathode materials we purchase are mainly composed of metallic elements such as lithium, nickel and cobalt, some of which have experienced supply shortage during the Track Record Period, resulting in price increase. Since 2021, our average purchase price of cathode materials has been increasing, mainly due to the increase of price of lithium, nickel and cobalt metal raw materials in cathode materials. During the Track Record Period, according to the data of the Shanghai nonferrous metals website, the market prices of lithium, nickel and cobalt

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metal raw materials rose sharply, increasing by 103%, 12% and 27% in 2021 compared to 2020, respectively, and continued to rise for the three months ended March 31, 2022, by 351%, 44% and 57% from the same period in 2021. During the same period, our average purchase price of cathode materials also increased by approximately 37% in 2021 compared to 2020, and continued to increase for the three months ended March 31, 2022, by approximately 104% compared to the same period in 2021. Therefore, the above-mentioned fluctuations in the prices of metal raw materials affect our purchase price of cathode materials, resulting in fluctuation of our gross profit and gross profit margin of related products.

Raw material costs by material composition

The following table sets forth a breakdown of our raw material costs by material composition, each expressed in the absolute amount and as a percentage of our total raw material costs, for the years and periods indicated.

	Years Ended December 31,						Three Months Ended March 31,			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Cathode										
materials	445,141	35.0	693,367	37.3	2,213,673	40.9	281,253	37.4	1,576,713	52.6
Casing cover										
board	186,691	14.7	334,994	18.0	811,553	15.0	122,215	16.3	307,853	10.3
Anodes										
materials	140,275	11.0	195,708	10.5	516,610	9.5	84,760	11.3	205,835	6.9
Electrolyte	70,986	5.6	130,747	7.0	511,641	9.4	63,686	8.5	287,445	9.6
Others	427,896	33.7	501,816	27.2	1,365,430	25.2	199,966	26.5	621,351	20.6
	<u>1,270,989</u>	<u>100</u>	<u>1,856,632</u>	<u>100</u>	<u>5,418,907</u>	<u>100</u>	<u>751,880</u>	<u>100</u>	<u>2,999,197</u>	<u>100</u>

Note: Others mainly include copper aluminum foil, diaphragm, etc.

During the Track Record Period, our raw material cost composition mainly consisted of cathode materials, cover shells, anode materials, electrolytes, etc. The proportion of these materials in each model will be slightly different based on different battery models.

For illustration purpose only, the following sensitivity analysis sets forth the estimated impact of hypothetical fluctuations in our average price of raw materials on our profit/(loss) before income tax for the years and periods indicated, assuming all other factors affecting our profitability had remained unchanged.

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	Impact on profit/(loss) before tax				
	Years Ended December 31,			Three Months Ended	
	2019	2020	2021	March 31, 2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Change in price of raw materials					
-/+ 5%	+/-63,549	+/-92,832	+/-270,945	+/-37,594	+/-149,960
-/+ 10%	+/-127,099	+/-185,663	+/-541,891	+/-75,188	+/-299,920

Manufacturing costs

Manufacturing costs represent, among others, the depreciation of our plants and manufacturing machinery and costs of utilities. For each of the years ended December 31, 2019, 2020 and 2021 and each of the three months ended March 31, 2021 and 2022, manufacturing costs accounted for 17.5%, 18.2%, 12.0%, 14.0% and 11.7%, respectively, of our cost of sales. The decrease in manufacturing costs as a percentage of our costs of sales for the year ended December 31, 2021 and the three months ended March 31, 2022, was mainly due to the increase in the price of battery raw materials along with the increase in raw material costs as a percentage of cost of sales for the year ended December 31, 2021 and the three months ended March 31, 2022.

Direct labor costs

Direct labor costs represent staff-related costs of our manufacturing operations. Labor cost accounted for 5.5%, 5.7%, 3.8%, 4.5% and 4.4%, respectively, of our cost of sales for each of the years ended December 31, 2019, 2020 and 2021 and each of the three months ended March 31, 2021 and 2022. The decrease in direct labor cost as a percentage of sales cost for the year ended December 31, 2021 and the three months ended March 31, 2022, was mainly due to the increase in the price of battery raw materials along with the increase in raw material costs as a percentage in cost of sales for the year ended December 31, 2021 and the three months ended March 31, 2022.

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Cost of Sales by Products

The following table sets forth a breakdown of our cost of sales by products, expressed as an absolute amount and as a percentage of our total cost of sales, for the years and periods indicated.

	Years Ended December 31,						Three Months Ended March 31,			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Cost of sales										
EV battery	1,336,987	81.0	2,157,220	88.4	5,729,114	89.0	833,505	90.3	3,373,404	94.3
ESS	151,962	9.2	207,308	8.5	421,122	6.5	64,257	7.0	108,086	3.0
Others	161,625	9.8	76,217	3.1	288,601	4.5	24,845	2.7	94,671	2.7
Total	1,650,574	100	2,440,745	100	6,438,837	100	922,607	100	3,576,161	100

Note: Others mainly include the costs in relation to the sales of scrap materials, downgraded products, raw materials and slow-moving goods.

Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less our cost of sales. Our gross profit margin represents our gross profit divided by our revenue, expressed as a percentage. For the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, our gross profit was RMB83.3 million, RMB384.7 million, RMB378.3 million, RMB140.6 million and RMB320.9 million, respectively. Our overall gross profit margin was 4.8%, 13.6%, 5.5%, 13.2% and 8.2%, respectively, in the same period. The change in gross profit margin was mainly attributable to price fluctuation of battery raw materials including cathode materials and electrolytes and the positive impact of the economies of scale relating to production capacity expansion. For instance, the changes in the gross profit margin of our EV batteries products were mainly due to the benefit of economies of scale relating to our production capacity expansion and the fluctuations in the price of battery raw materials. The changes in the gross profit margin of our ESS products were mainly due to different products sold by us and fluctuations in battery raw material prices. The changes in the gross profit margin of our others products were mainly due to the change in raw material prices and our disposal of a batch of slow-moving products in 2019. In addition, our ESS segment had a negative gross profit margin for the three months ended March 31, 2022 mainly because (i) the raw material prices continue to rise in 2022; and (ii) our ESS products have a long lead time and there is a certain time lag in adjusting the price of such products.

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The increase in our gross profit margin for 2020 (when compared against 2019) was not entirely consistent with the market norm/trend. Our gross profit margin is tied to our development stage and strategy, for instance, we shifted our strategic focus to the EV passenger vehicle market in 2018 and was still at the initial stage of the implementation of such plan in 2019, and therefore incurred substantial early investment but did not generate much income, which led to relatively low gross profit margin for 2019. We then began to realize the benefits of economies of scale in 2020, which in turn, contributed to our strengthened gross profit margin. According to Frost & Sullivan, our gross profit margin change for 2021 was in line with the market norm/trend.

Gross Profit and Gross Profit Margin by Products

The following table sets forth a breakdown of our gross profit and gross profit margin by products for the years and periods indicated.

	Years Ended December 31,						Three Months Ended March 31,			
	2019		2020		2021		2021		2022	
	Gross		Gross		Gross		Gross		Gross	
	Gross profit	profit margin	Gross profit	profit margin	Gross profit	profit margin	Gross profit	profit margin	Gross profit	profit margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
EV battery	72,901	5.2	342,080	13.7	336,086	5.5	127,452	13.3	317,778	8.6
ESS	29,204	16.1	30,873	13.0	24,958	5.6	10,377	13.9	(7,957)	(7.9)
Others ⁽¹⁾	(18,847)	(13.2)	11,721	13.3	17,234	5.6	2,756	10.0	11,108	10.5
Total	83,258	4.8	384,674	13.6	378,278	5.5	140,585	13.2	320,929	8.2

Note (1): Others include gross profit of scrap materials, downgraded products, raw materials and slow-moving goods.

During the Track Record Period, the changes in the gross profit of our EV batteries were mainly due to the increase in our sales of product and the changes in the price of raw materials. While in the same period, the changes in the gross profit margin of our EV batteries were mainly due to (i) the release of benefit of economies of scale relating to our production capacity expansion, resulting in lower average manufacturing costs and higher gross margin; and (ii) the fluctuations in the price of battery raw materials.

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During the Track Record Period, the changes in the gross profit of our ESS products was mainly due to the fluctuation in sales and gross profit margin. While in the same period, the changes in the gross profit margin of our ESS products were mainly due to different products sold by us, which generally correlated with (i) the technical specifications of the products sold; and (ii) fluctuations in battery raw material prices. In addition, we had a negative gross margin for the three months ended March 31, 2022 mainly because (i) the raw material prices continue to rise in 2022; and (ii) our ESS products have a long lead time and there is a certain time lag in adjusting the price of such products as prices are difficult to adjust after the project/contract started.

During the Track Record Period, we had a negative gross margin for the year ended December 31, 2019 due to our disposal of a batch of slow-moving products with relatively low price in our product categories of other products in 2019. Changes to the gross profit margin of our others products, such as scrap materials and downgraded products, were also heavily influenced by the change in raw material prices.

Gross Profit and Gross Profit Margin by Region

The table below sets forth a breakdown of our gross profit and gross profit margin by region for the years and periods indicated.

	Years Ended December 31,						Three Months Ended March 31,			
	2019		2020		2021		2021		2022	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Mainland China	40,752	2.5	353,156	13.2	344,826	5.2	126,218	12.5	318,710	8.3
Overseas	42,506	33.4	31,518	22.5	33,452	19.3	14,367	27.4	2,219	3.7
Total	83,258	4.8	384,674	13.6	378,278	5.5	140,585	13.2	320,929	8.2

For the years ended December 31, 2019, 2020 and 2021 and three months ended March 31, 2021 and 2022, our gross profit from mainland China was RMB40.8 million, RMB353.2 million, RMB344.8 million, RMB126.2 million and RMB318.7 million, respectively. During the same period, our gross profit margins from mainland China were 2.5%, 13.2%, 5.2%, 12.5% and 8.3%, respectively. The change in our gross margin from mainland China was primarily due to (i) with the expansion of production capacity in 2020, the economies of scales gradually emerged, resulting in a decrease in average manufacturing cost from RMB0.15 per Wh in 2019 to RMB0.1 per Wh in 2020, which in turn led to an increase in gross margin; (ii) with the continuous increase in raw materials prices in 2021, our average purchase price of cathode materials increased by approximately 37% and the average purchase

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price of electrolyte increased by approximately 60%, resulting in a decrease in gross margin; and (iii) the further increase in price of raw materials for the three months ended March 31, 2022, resulting in our average purchase price of cathode materials increasing by approximately 104% as compared with the same period of last year and the average purchase price of electrolyte increasing by approximately 60% as compared with the same period of last year.

For the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, our gross profit from overseas regions was RMB42.5 million, RMB31.5 million, RMB33.5 million, RMB14.4 million and RMB2.2 million, respectively. During the same period, our gross profit margins from overseas regions were 33.4%, 22.5%, 19.3%, 27.4% and 3.7%, respectively. The change in our gross margin from overseas regions was primarily due to (i) continuous decrease in the average selling price; (ii) discounts on prices as the Group promoted new products; and (iii) rising raw material price in 2022.

For the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021, our gross profit margin from overseas was higher than the domestic market, which was mainly due to the difference in product portfolios sold, where we mainly sold ESS Products with a higher average selling price in overseas market. For the three months ended March 31, 2022, our gross profit margin from overseas was lower than the domestic market, which was mainly because our adjustment to the average selling price of our products in overseas sales has a certain time lag compared to that of in domestic sales, so that we were unable to cover the increase in the cost of raw materials in a timely manner.

Gross Profit and Gross Profit Margin by Battery Type

The table below sets forth a breakdown of our gross profit and gross profit margin by battery type for the years and periods indicated.

	Years Ended December 31,						Three Months Ended March 31,			
	2019		2020		2021		2021		2022	
	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Ternary battery	16,758	1.3	299,015	12.9	302,668	5.5	125,726	14.3	319,705	10.9
LFP battery	64,921	21.5	78,147	17.4	55,369	5.2	12,735	7.6	(9,880)	(1.1)
Others	1,579	1.3	7,512	12.7	20,241	9.7	2,124	12.0	11,104	11.9
Total	83,258	4.8	384,674	13.6	378,278	5.5	140,585	13.2	320,929	8.2

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For the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, our gross profit from the sales of ternary batteries was RMB16.8 million, RMB299.0 million, RMB302.7 million, RMB125.7 million and RMB319.7 million, respectively. Our gross profit from sales of ternary batteries recorded an increase during the Track Record Period, which was primarily due to the increase in sales. During the same period, our gross profit margins from the sales of ternary batteries were 1.3%, 12.9%, 5.5%, 14.3% and 10.9%, respectively. The change in the gross profit margin of our sales of ternary batteries was mainly due to (i) with the expansion of production capacity in 2020, the economies of scales gradually emerged, resulting in a decrease in average manufacturing cost from RMB0.15 per Wh in 2019 to RMB0.1 per Wh in 2020, which in turn led to an increase in gross margin; (ii) with the continuous increase in raw materials prices in 2021, our average purchase price of cathode materials increased by approximately 37% and the average purchase price of electrolyte increased by approximately 60%, resulting in a decrease in gross margin; and (iii) the further increase in price of raw materials for the three months ended March 31, 2022, resulting in our average purchase price of cathode materials increasing by approximately 104% as compared with the same period of last year and the average purchase price of electrolyte increasing by approximately 60% as compared with the same period of last year.

For the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, our gross profit from the sales of LFP batteries was RMB64.9 million, RMB78.1 million, RMB55.4 million, RMB12.7 million and RMB(9.9) million, respectively. During the same period, our gross profit margin from the sales of LFP batteries were 21.5%, 17.4%, 5.2%, 7.6% and (1.1)%, respectively. The change in our gross profit margin from the sales of LFP batteries was primarily because (i) the raw materials prices continued to rise in 2021 and the three months ended March 31, 2022; and (ii) for the three months ended March 31, 2022, our average purchase price of cathode materials increased by approximately 104% as compared with the same period of last year and the average purchase price of electrolyte increased by approximately 60% as compared with the same period of last year, resulting in our gross loss and gross loss margin.

For the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, our gross profit from the sales of other products was RMB1.6 million, RMB7.5 million, RMB20.2 million, RMB2.1 million and RMB11.1 million, respectively. During the same period, our gross profit margin from the sales of other products were 1.3%, 12.7%, 9.7%, 12.0% and 11.9%, respectively.

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Gross profit and gross profit margin of EV batteries by downstream applications

The following table sets forth a breakdown of the gross profit and gross profit margin of our EV batteries by downstream applications for the years and periods indicated.

	Year Ended December 31,						Three Months Ended March 31,			
	2019		2020		2021		2021		2022	
	Gross	Gross	Gross	Gross	Gross	Gross	Gross	Gross	Gross	Gross
	profit	profit	profit	profit	profit	profit	profit	profit	profit	profit
	margin	margin	margin	margin	margin	margin	margin	margin	margin	margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
(unaudited)										
Passenger										
vehicle	54,613	4.2	273,337	11.7	294,149	5.1	123,592	13.4	335,461	9.8
Commercial										
vehicle	911	1.3	7,910	12.2	15,672	6.6	1,652	14.1	(17,283)	(6.2)
Others	17,377	33.5	60,833	57.4	26,265	33.5	2,208	8.5	(400)	(12.5)
	<u>72,901</u>	<u>5.2</u>	<u>342,080</u>	<u>13.7</u>	<u>336,086</u>	<u>5.5</u>	<u>127,452</u>	<u>13.3</u>	<u>317,778</u>	<u>8.6</u>

For the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, our gross profit from sales to the passenger vehicle manufacturers was RMB54.6 million, RMB273.3 million, RMB294.1 million, RMB123.6 million and RMB335.5 million, respectively. During the same period, our gross profit margins from sales to the passenger vehicle manufacturers were 4.2%, 11.7%, 5.1%, 13.4% and 9.8%, respectively.

For the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, our gross profit from sales to the commercial vehicle manufacturers was RMB0.9 million, RMB7.9 million, RMB15.7 million, RMB1.7 million and RMB(17.3) million, respectively. During the same period, our gross profit margins from sales to the commercial vehicle manufacturers were 1.3%, 12.2%, 6.6%, 14.1% and (6.2)%, respectively.

For the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, our gross profit from sales to other type of customers was RMB17.4 million, RMB60.8 million, RMB26.3 million, RMB2.2 million and RMB(0.4) million, respectively. During the same period, our gross profit margins from sales to other type of customers were 33.5%, 57.4%, 33.5%, 8.5% and (12.5)%, respectively.

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The change in gross margin of each downstream application area was mainly attributable to (i) with the expansion of production capacity in 2020, the economies of scales gradually emerged, resulting in a decrease in average manufacturing cost from RMB0.15 per Wh in 2019 to RMB0.1 per Wh in 2020, which in turn led to an increase in gross margin; (ii) with the continuous increase in raw materials prices in 2021, our average purchase price of cathode materials increased by approximately 37% and the average purchase price of electrolyte increased by approximately 60%, resulting in a decrease in gross margin; and (iii) the further increase in raw materials prices for the three months ended March 31, 2022, resulting in the increase in our average purchase price of cathode materials by approximately 104% and the average purchase price of electrolyte by approximately 60% as compared with the same period of last year, and our products sold to commercial vehicle market have a long lead time and there is a certain time lag in adjusting the price of such products, we recorded gross loss and gross loss margin from sales to the commercial vehicle manufacturers and other types of customers for the three months ended March 31, 2022. Please see “Risk Factors – Risks Relating to Our Industry and Business – We are exposed to price fluctuations of raw materials, which may result in gross loss.”

Government Grants and Subsidies

Our government grants and subsidies primarily consist of subsidies on industry development and R&D subsidies which were partially non-recurring in nature and had a significant impact on the Group’s financial performance during the Track Record Period. Industry development subsidies mainly refer to subsidies for supporting the development, construction, renovation of the industry in which we operate as well as daily production and operation. The research and development subsidies mainly aim to support and encourage our intended research and development of lithium battery products, which are mainly used for investment in advanced batteries, manufacturing technologies and integration technologies, such as the “magazine battery” project and the One-Stop Bettery project. For the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, our government grant and subsidies were RMB308.6 million, RMB134.9 million, RMB364.5 million, RMB46.6 million and RMB151.1 million, respectively.

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	Year Ended December 31,			Three Months Ended	
	2019	2020	2021	March 31,	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Related to assets					
R&D subsidies	14,848	22,396	19,855	5,599	1,825
Subsidies on industry					
development	6,976	12,342	8,924	2,752	267
Others	3,321	4,068	4,345	1,095	1,044
Related to income					
R&D subsidies	–	71,387	186,002	30,000	103,490
Subsidies on industry					
development	248,870	6,821	135,690	6,200	43,440
Others	34,580	17,847	9,693	969	1,005
	308,595	134,861	364,509	46,615	151,071

Note: Others mainly include subsidies on employee stability and recruitment.

The following table sets forth a breakdown of government grants and subsidies by recurring and non-recurring nature for the years and periods indicated.

	Year Ended December 31,			Three Months Ended	
	2019	2020	2021	March 31,	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Recurring in nature	186,858	84,179	287,083	30,688	148,000
Non-recurring in nature	121,737	50,682	77,426	15,927	3,071
	308,595	134,861	364,509	46,615	151,071

The government grants and subsidies that are recurring in nature are those (i) received multiple times in different years or periods during the Track Record Period under similar policies or (ii) reasonably likely to recur in the foreseeable future.

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Such government grants and subsidies are interrelated to the daily operation of the Group and shall be recurring as the operation of the Group is going forward and government policies are not expected to change in the foreseeable future as the PRC government is in the pursuit of carbon peak and neutrality goal. Such government policies are supported by the PRC's macroeconomic development plan which are sustainable, for instance the "Development Plan for New Energy Automobile Industry (2021-2035)" (Guobanfa [2020] No. 39) (《新能源汽車產業發展規劃(2021-2035年)》(國辦發[2020]39號)) issued by State Council and the "Jiangsu Province's '14th Five-Year' New Energy Vehicle Industry Development Plan" (Suzhengbanfa [2021] No. 91) (《江蘇省“十四五”新能源汽車產業發展規劃》(蘇政辦發[2021]91號)) issued by General Office of the People's Government of Jiangsu Province. After reviewing the relevant evidence and basis for the government grants and subsidies that are recurring in nature identified by the Company, the Company's PRC legal counsel concluded that (i) the government grants and subsidies were received multiple times during the Track Record Period; or (ii) although the government grants and subsidies were received only once during the three months ended March 31, 2022, according to the grant policies, agreements, etc., the Group can apply for the government grants and subsidies again in the future after meeting the relevant conditions, such as continuously working and operating in assigned office as stipulated in the relevant agreement for the government grant received by Shenzhen Research Institute. Therefore, our Directors are of the view that the government grants and subsidies that are recurring in nature will be reasonably likely to recur given the current basis.

Selling and Distribution Expenses

Our selling and distribution expenses primarily consist of sales services expenses, employee remuneration expenses, and transportation and travel expenses. During the Track Record Period, the increase in selling and distribution expenses was mainly attributable to the increase in sales services expenses and employee remuneration expenses, which in turn is connected to the increase in our sales volume and business scale. Most of the sales contracts we enter into with our customers contain warranty clauses, and we are required to undertake the maintenance responsibility for the products sold within the committed after-sales service period. We recognize the sales service expenses by taking into account the combination of quality of the products, the past service expenses, and the best estimate of the expected maximum loss.

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The following table sets forth a breakdown of the key components of our selling and distribution expenses, each expressed as an absolute amount and as a percentage of our total selling and distribution expenses, for the years and periods indicated.

	Years Ended December 31,						Three Months Ended March 31,			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Selling and distribution expenses										
Sales services expenses	32,091	61.1	61,191	74.3	125,694	78.4	18,790	72.7	76,301	90.2
Employee remuneration expenses	7,120	13.6	12,377	15.0	20,398	12.7	3,680	14.2	3,239	3.8
Transportation and travel expenses	2,604	5.0	2,219	2.7	2,658	1.7	505	2.0	493	0.6
Insurance expenses	2,381	4.5	672	0.8	741	0.5	184	0.7	49	0.1
Others	8,327	15.8	5,873	7.2	10,820	6.7	2,684	10.4	4,467	5.3
Total	52,523	100.00	82,332	100.00	160,311	100.00	25,843	100.00	84,549	100.00

Note: Others mainly include publicity expenses, intermediary expenses, etc.

Our selling and distribution expenses increased from RMB52.5 million for the year ended December 31, 2019 to RMB82.3 million for the year ended December 31, 2020, and further increased to RMB160.3 million for the year ended December 31, 2021, which was primarily due to the increase in sales services expenses and employee remuneration expenses, both of which were a result of our business growth. Our selling and distribution expenses increased from RMB25.8 million for the three months ended March 31, 2021 to RMB84.5 million for the three months ended March 31, 2022, which was primarily due to the increase in sales services expenses as a result of our business growth.

Administrative Expenses

Our administrative expenses primarily consist of employee remuneration expenses and depreciation and amortization expenses. During the Track Record Period, the increase in our administrative expenses was mainly due to the increase in employee remuneration expenses as a result of the increase in the headcount of our employees, as well as the increase in office and electronic equipment rendering an increase in depreciation and amortization expenses. In addition, the significant increase in our recruitment expenses during the Track Record Period was mainly due to the increase in personnel demand, particularly for the increasing demand for production staff, as our business scale expanded and effective production capacity increased by 38.4% from 2.97GWh in 2019 to 4.11GWh in 2020 and further increased by 189.5% to 11.9GWh in 2021. In order to meet the need for production personnel and to ensure successful recruitment, our Group incurred more recruitment expenses in 2020 and 2021.

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For the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, our administrative expenditure were RMB177.6 million, RMB243.1 million, RMB412.1 million, RMB77.9 million and RMB135.0 million, respectively. The following table sets forth a breakdown of the key components of our administrative expenses, each expressed as an absolute amount and as a percentage of our total administrative expenses, for the years and periods indicated.

	Years Ended December 31,						Three Months Ended March 31,			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Administrative expenses										
Employee remuneration expenses	79,100	44.5	76,256	31.4	128,916	31.3	25,559	32.8	40,519	30.0
Depreciation and amortization expenses	31,067	17.5	58,971	24.3	91,608	22.2	20,492	26.3	28,068	20.8
Taxes and surcharges	15,839	8.9	26,684	11.0	53,602	13.0	11,602	14.9	15,854	11.7
Property management fees	13,146	7.4	20,840	8.6	26,830	6.5	3,965	5.1	5,741	4.3
Office, insurance and utilities expenses	6,054	3.4	17,034	7.0	21,386	5.2	3,782	4.9	7,190	5.3
Rental expenses	4,185	2.4	6,527	2.7	15,201	3.7	1,099	1.4	5,731	4.2
Legal and professional fee	9,336	5.3	6,986	2.9	10,467	2.5	619	0.8	13,732	10.2
Entertainment and promotion expenses	3,692	2.1	4,734	1.9	7,801	1.9	1,355	1.7	1,601	1.2
Information system expenses	3,557	2.0	4,200	1.7	6,668	1.6	2,197	2.8	1,050	0.8
Transportation and travel expenses	5,292	3.0	3,029	1.2	5,020	1.2	728	0.9	1,566	1.2
Recruitment expenses	526	0.3	5,278	2.2	17,438	4.2	1,707	2.2	3,289	2.4
Bank charges	1,826	1.0	2,821	1.2	7,190	1.7	1,276	1.6	3,498	2.6
Outsourcing fees	–	–	605	0.2	3,690	0.9	218	0.3	2,907	2.2
Listing expenses	–	–	–	–	–	–	–	–	1,192	0.9
Other expenses	4,018	2.2	9,142	3.7	16,245	4.1	3,317	4.3	3,088	2.2
Total	177,638	100.00	243,107	100.00	412,062	100.00	77,916	100.00	135,026	100.00

Note: Other expenses mainly include materials fees, labor protection fees, etc.

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R&D Expenses

Our R&D expenses primarily consist of employee remuneration expenses, depreciation and amortization expenses and materials fee. The increase in our R&D expenses was mainly due to the growth in employee compensation expenses, material fee and additional expenses. With increased investment in R&D, our employee remuneration expenses increased as the remuneration for the relevant employees increased.

For the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, our R&D expenses were RMB135.9 million, RMB202.0 million, RMB285.3 million, RMB45.6 million and RMB159.2 million, respectively. The following table sets forth a breakdown of the key components of our R&D expenses, each expressed as an absolute amount and as a percentage of our total R&D expenses, for the years and periods indicated.

	Years Ended December 31,						Three Months Ended March 31,			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(unaudited)			
R&D expenses										
Employee remuneration expenses	38,859	28.6	74,276	36.8	86,023	30.2	16,587	36.4	48,239	30.3
Depreciation and amortization expenses	60,195	44.3	56,810	28.1	75,104	26.3	13,698	30.0	47,491	29.8
Materials fee	12,427	9.1	42,164	20.9	49,900	17.5	6,100	13.4	34,648	21.8
Outsourcing expenses	10,334	7.6	12,270	6.0	28,129	9.9	7,172	15.7	19,325	12.1
Patent related expenses	399	0.3	1,726	0.9	18,375	6.4	397	0.9	926	0.6
Other expenses	13,678	10.1	14,743	7.3	27,725	9.7	1,632	3.6	8,570	5.4
Total	135,892	100	201,989	100	285,256	100	45,586	100	159,199	100

Note: Other expenses mainly include utility expenses, travel expenses and testing expenses, etc.

Other Gains and Losses, Net

Our other gains and losses, net, primarily consist of gain on disposal of the subsidiary, allowance or reversal of allowance for inventories, impairment loss on property, plant and equipment, impairment loss on investment in associate and fair value change in financial instruments.

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For the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, our other gains and losses, net were loss of RMB142.0 million, gain of RMB61.9 million, gain of RMB79.0 million, gain of RMB7.2 million and loss of RMB41.0 million, respectively. Changes to our other gains and losses, net, were mainly attributable to allowance or reversal of allowance for inventories and a net gain on disposal of Luoyang Company during the year ended December 31, 2021.

We stocked up strategically in 2019 to prepare for the technological upgrading and transformation of the production line in 2020 and to guarantee the sufficient supplies to customers in 2020. As we had relatively large inventory, the allowance for inventory was made accordingly. In 2020, we had a reversal of allowance for inventory as our inventory management improved and we experienced an increase in sales. In 2021, the cost of finished products increased as a result of the rise in prices of main raw materials and the increase in our orders received. Accordingly, the allowance for inventories increased correspondingly when we had larger inventory. For the three months ended March 31, 2022, we recorded a negative fair value change in put option liabilities, an increase in allowance for inventories with the expansion of the business scale, and also a reversal of share of profit of Luoyang Company due to profit or loss allocation agreed with Jinhang Holding for the period from January 1, 2022 to date of disposal of Luoyang Company.

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

	Year Ended December 31,			Three Months Ended	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Allowance)/reversal of allowance					
for inventories	(120,920)	49,999	(90,088)	6,754	(10,287)
Gain on disposal of a subsidiary	–	–	347,240	–	–
Impairment loss on investment					
in associate	–	–	(178,700)	–	–
Loss on disposal of associates	–	–	–	–	(503)
Fair value change in financial					
assets at FVTPL	726	2,419	13,705	–	5,162
Fair value change in put option					
liabilities	–	–	(14,512)	–	(19,827)
Fair value change in financial					
guarantees	–	–	1,755	–	1,635
Impairment loss on property,					
plant and equipment	(18,660)	–	–	–	–
Impairment loss on					
intangible assets	–	–	(15)	–	–
Net foreign exchange (losses)/gains	(1,252)	(251)	(361)	1,228	(1,268)
Net (loss)/gain on disposals of					
property, plant and equipment	(1,902)	7,417	(25)	(773)	–
Net gain on early termination					
of lease	–	2,322	–	–	–
Net loss on lease modification	–	–	–	–	(1,132)
Reversal of share of profit of an					
associate – Luoyang Company	–	–	–	–	(14,775)
	<u>(142,008)</u>	<u>61,906</u>	<u>78,999</u>	<u>7,209</u>	<u>(40,995)</u>

Investment and Other Income

Our investment and other income primarily consists of interest income from bank deposits and others. For the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, our investment and other income was RMB18.7 million, RMB31.6 million, RMB176.2 million, RMB29.1 million and RMB62.8 million, respectively.

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Changes in our investment and other income was primarily attributable to the increase in our interest income as a result of making deposits and purchasing deposit products by using the capital contribution we received from investors. The period of our deposit products is less than one year with an annual interest rate of not more than 3.79%. The following table sets forth a breakdown of the key components of our investment and other income for the years and periods indicated.

	Year Ended December 31,			Three Months Ended	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Interest income on:					
Bank deposits	17,580	22,056	66,882	12,475	20,698
Financial assets at FVTOCI	337	5,653	105,384	15,834	41,576
Total interest income	17,917	27,709	172,266	28,309	62,274
Others	745	3,935	3,981	793	530
	18,662	31,644	176,247	29,102	62,804

Finance Costs

Our finance costs primarily consist of interest expenses. The change in finance costs is mainly attributable to the change in interest on our bank borrowings and the amount capitalized. Since some of the bank borrowings were specifically borrowed for the construction of certain production lines in Changzhou and Xiamen, and the relevant funds were used to invest in the construction of these production lines, the interest expenses on the corresponding borrowings were capitalized accordingly. The following table sets forth a breakdown of the key components of our finance costs for the years and periods indicated.

	Year Ended December 31,			Three Months Ended	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Interest on bank borrowings	19,304	31,072	81,119	7,456	40,926
Interest on other loans	5,110	15,804	6,717	3,120	–
Interest on loan from related companies	14,594	7,937	–	–	–
Interest expenses on lease liabilities	2,167	2,552	695	128	897
Total financial costs	41,175	57,365	88,531	10,704	41,823
Less: amount capitalised	–	–	(63,556)	(847)	(39,520)
	41,175	57,365	24,975	9,857	2,303

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Income Tax Credit/(Expense)

Our income taxation in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits, based on the existing legislation, interpretations and practices in respect thereof.

The table below sets forth a breakdown of our income tax credit/(expense) for the years and periods indicated:

	Years Ended December 31,			Three Months Ended	
	2019	2020	2021	March 31, 2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Income tax credit/(expense)					
Current tax – the PRC Provision					
for the year/period	–	–	(220,352)	–	(38,288)
Current tax – the Germany					
Provision for the year/period	–	–	–	–	(1,087)
Deferred tax	28,112	(22,625)	268,459	(13,322)	(29,394)
Total	28,112	(22,625)	48,107	(13,322)	(68,769)

During the Track Record Period and as of the Latest Practicable Date, we did not have any material dispute or unresolved issues with the relevant tax authorities.

COMPARISON OF RESULTS OF OPERATION

Three months ended March 31, 2021 compared to three months ended March 31, 2022

Revenue

Our revenue for the three months ended March 31, 2021 and 2022 was RMB1,063.2 million and RMB3,897.1 million, respectively. The substantial increase was primarily due to the increase in revenue from sales of EV batteries to some of our major customers.

EV battery

Revenue generated from sales of EV batteries increased by 284.1% from RMB961.0 million for the three months ended March 31, 2021 to RMB3,691.2 million for the three months ended March 31, 2022, primarily due to the increase in our sales of EV batteries to Customer X in passenger vehicle sector and new customers in commercial vehicle sector.

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ESS

Revenue generated from sales of ESS products increased by 34.2% from RMB74.6 million for the three months ended March 31, 2021 to RMB100.1 million for the three months ended March 31, 2022, primarily due to the increase in the sales volume of our ESS products from 0.09 GWh to 0.15 GWh.

Others

Revenue from other products increased by 283.3% from RMB27.6 million for the three months ended March 31, 2021 to RMB105.8 million for the three months ended March 31, 2022, primarily due to the increase of the sales of battery materials. Such increase was mainly attributable to the increases in the revenue from sales of degraded products, scrap materials and raw materials generated during the production process as a result of the expansion of our production and operation scale.

Cost of Sales

Our cost of sales increased by 287.6% from RMB922.6 million for the three months ended March 31, 2021 to RMB3,576.2 million for the three months ended March 31, 2022. The increase was primarily due to (i) the increase in our sales volume and our business expansion and (ii) the significant increase in the price of raw materials including cathode materials and electrolytes.

Cost of Sales by Nature

Raw material costs

Our raw materials costs increased by 298.9% from RMB751.9 million for the three months ended March 31, 2021 to RMB2,999.2 million for the three months ended March 31, 2022. Our raw material costs as a percentage of our total cost of sales increased from 81.5% for the three months ended March 31, 2021 to 83.9% for the three months ended March 31, 2022. The increase was mainly due to (i) the expansion of our sales volume and business; and (ii) the significant increase in the market price of raw materials including cathode materials and electrolytes.

Manufacturing costs

Manufacturing costs increased by 225.2% from RMB129.1 million for the three months ended March 31, 2021 to RMB419.8 million for the three months ended March 31, 2022. The proportion of manufacturing costs in the total cost of sales decreased from 14.0% for the three months ended March 31, 2021 to 11.7% for the three months ended March 31, 2022. The overall increase in manufacturing costs is mainly due to the increase in depreciation and amortization expenses, and utility expenses as our business scale expanded.

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Direct labor costs

Our labor costs increased by 277.9% from RMB41.6 million for the three months ended March 31, 2021 to RMB157.2 million for the three months ended March 31, 2022. Our labor costs as a percentage of our total sales cost decreased from 4.5% for the three months ended March 31, 2021 to 4.4% for the three months ended March 31, 2022. The overall labor cost was increasing generally, which was mainly due to the growth in number of production-related staff as our business scale expanded.

Cost of Sales by Products

EV battery

The cost of EV batteries increased by 304.7% from RMB833.5 million for the three months ended March 31, 2021 to RMB3,373.4 million for the three months ended March 31, 2022. The increase was mainly attributable to (i) the expansion of our sales volume and business; and (ii) the significant increase in the market price of raw materials including cathode materials and electrolytes.

ESS

The cost of ESS products increased by 68.1% from RMB64.3 million for the three months ended March 31, 2021 to RMB108.1 million for the three months ended March 31, 2022. The overall growth trend of the cost of sales of our ESS was attributable to the substantial increase in the prices of raw materials including cathodes materials and electrolytes.

Others

The cost from sales of others increased by 281.9% from RMB24.8 million for the three months ended March 31, 2021 to RMB94.7 million for the three months ended March 31, 2022, which was mainly due to (i) the increase in sales of degraded products, scrap materials and raw materials; and (ii) the increase in the prices of raw materials used to produce battery materials.

Gross Profit and Gross Profit Margin

Our gross profit increased by 128.3% from RMB140.6 million for the three months ended March 31, 2021 to RMB320.9 million for the three months ended March 31, 2022. Our overall gross profit margin decreased from 13.2% for the three months ended March 31, 2021 to 8.2% for the three months ended March 31, 2022. The change in gross profit margin was mainly because our raw materials costs increased by 298.9% from RMB751.9 million for the three months ended March 31, 2021 to RMB2,999.2 million for the three months ended March 31, 2022. Our raw material costs as a percentage of our total cost of sales increased from 81.5% for the three months ended March 31, 2021 to 83.9% for the three months ended March 31, 2022. Such increase was mainly due to the further increase in the price of raw materials for the three months ended March 31, 2022, resulting in our average purchase price of cathode

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materials increasing by approximately 104% as compared with the same period of 2021 and the average purchase price of electrolyte increasing by approximately 60% as compared with the same period of 2021. In addition, our ESS segment had a negative gross profit margin for the three months ended March 31, 2022 mainly because (i) the raw material prices continue to rise in 2022; and (ii) our ESS products have a long lead time and there is a certain time lag in adjusting the price of such products. According to Frost & Sullivan, there had been phased imbalances of supply and demand of some raw materials for battery production in the market from the beginning of 2021, resulting in an increase in the price of raw materials and our cost of EV batteries, which was in line with industry norm.

EV battery

The gross profit of EV batteries increased by 149.3% from RMB127.5 million for the three months ended March 31, 2021 to RMB317.8 million for the three months ended March 31, 2022. Such strong growth is mainly attributable to an increase in our sale volume. The gross profit margin for the three months ended March 31, 2021 and 2022 were 13.3% and 8.6% and the decrease was attribute to the rising raw material price in 2022. For the three months ended March 31, 2022, the average purchase price of our cathode materials and electrolytes increase by approximately 104% and 60%, respectively. As a result, the raw material cost per Wh increased from RMB0.5 to RMB0.6.

ESS

The gross profit of ESS products decreased by 176.9% from RMB10.4 million for the three months ended March 31, 2021 to RMB(8.0) million for the three months ended March 31, 2022 and the gross profit margin decreased from 13.9% for the three months ended March 31, 2021 to (7.9)% for the three months ended March 31, 2022. We recorded gross loss of our ESS products, which was mainly because (i) raw material prices continue to rise in 2022, resulting in an increase in the unit cost of our ESS products; and (ii) our ESS products have a long lead time and there is a certain time lag in adjusting the price of such products.

Others

Gross profit generated from other products increased by 296.4% from RMB2.8 million for the three months ended March 31, 2021 to RMB11.1 million for the three months ended March 31, 2022, with the gross profit margin remained stable at 10.0% and 10.5% for the three months ended March 31, 2021 and 2022, respectively. Such significant increase in gross profit was primarily due to the significant increase in sales of our other products.

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Investment and Other Income

Investment and other income increased by 115.8% from RMB29.1 million for the three months ended March 31, 2021 to RMB62.8 million for the three months ended March 31, 2022. The increase in our investment and other income was primarily attributable to (i) the increase in interest income as a result of the increase in bank deposits; and (ii) the increase in our interest income, which was a result of the deposit products we purchased after we received capital contribution from investors in 2021.

Government Grants and Subsidies

Our government grants and subsidies increased by 224.2% from RMB46.6 million for the three months ended March 31, 2021 to RMB151.1 million for the three months ended March 31, 2022, mainly because Xiamen Company recognised a subsidy of RMB96.6 million for research, development, production and operation for the three months ended March 31, 2022, while there was no such subsidy for the three months ended March 31, 2021.

Other Gains and Losses, Net

Our other gains and losses, net, decreased by 669.4% from gain of RMB7.2 million for the three months ended March 31, 2021 to loss of RMB41.0 million for the three months ended March 31, 2022, which was mainly because (i) under the requirements of the IFRS, we recorded negative fair value change in put option liabilities for the three months ended March 31, 2022 of RMB19.8 million; (ii) with the expansion of the business scale, the inventory balance increased and the allowance for inventories increased accordingly; and (iii) we entered into an equity transfer agreement with Jinhang Holding and agreed to transfer our 49% equity interests in Luoyang Company to Jinhang Holding. According to the equity transfer agreement, Jinhang Holding shall share profit or loss of Luoyang Company for the period from January 1, 2022 to the equity transfer completion date. We reversed share of profit of Luoyang Company of approximately RMB14.8 million as of the equity transfer completion date which was March 9, 2022.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 227.5% from approximately RMB25.8 million for the three months ended March 31, 2021 to approximately RMB84.5 million for the three months ended March 31, 2022, which was primarily due to the increase in sales service expenses. With the expansion of business scale and revenue growth, sales service expenses increased accordingly.

FINANCIAL INFORMATION

Administrative Expenses

Our administrative expenses increased by 73.3% from approximately RMB77.9 million for the three months ended March 31, 2021 to approximately RMB135.0 million for the three months ended March 31, 2022, which was mainly due to the increase in employee remuneration expenses, depreciation and amortization expenses, taxes and surcharges, property management fees, recruitment expenses, office, insurance utilities expenses and legal and professional fee as we expanded our business scale.

R&D Expenses

Our R&D expenses increased by 249.1% from approximately RMB45.6 million for the year ended March 31, 2021 to approximately RMB159.2 million for the three months ended March 31, 2022, primarily due to our continuous R&D and innovation capabilities, which led to an increase in materials fee, depreciation and amortization expenses, employee remuneration expenses and outsourcing expenses.

Finance Costs

Our finance costs decreased by 76.8% from approximately RMB9.9 million for the three months ended March 31, 2021 to approximately RMB2.3 million for the three months ended March 31, 2022. Although the finance costs before capitalization incurred increased from approximately RMB10.7 million for the three months ended March 31, 2021 to approximately RMB41.8 million for the three months ended March 31, 2022, as a result of the increase in bank borrowings, interest expenses on loans amounting to approximately RMB39.5 million were capitalized accordingly as certain loans were specifically borrowed for the purpose of the construction of certain production lines in Changzhou and Xiamen, and were subsequently used for the construction of such production lines. As a result, the expensed finance costs decreased.

Profit for the period

As a result of the foregoing, our financial result for the three months decreased from profit of RMB60.2 million for the three months ended March 31, 2021 to profit of RMB58.0 million for the three months ended March 31, 2022.

Year ended December 31, 2020 compared to year ended December 31, 2021

Revenue

Our revenue for the year ended December 31, 2020 and the year ended December 31, 2021 was RMB2,825.4 million and RMB6,817.1 million, respectively. The substantial increase was primarily due to the increase in revenue generated from our EV batteries sold to certain major customers.

FINANCIAL INFORMATION

EV battery

Revenue generated from sales of EV batteries increased by 142.7% from RMB2,499.3 million for the year ended December 31, 2020 to RMB6,065.2 million for the year ended December 31, 2021, primarily due to increase in sales to certain major customers. Such increase in sales included sales to Customer G, Customer C and Customer X, which are all leading NEV brands. Please see “Business – Sales and Marketing – Major Customers” for further details.

ESS

Revenue generated from sales of ESS products increased by 87.3% from RMB238.2 million for the year ended December 31, 2020 to RMB446.1 million for the year ended December 31, 2021, primarily due to the increase in the sales volume of our ESS products from 0.33 GWh to 0.67 GWh.

Others

Revenue from other products increased by 247.9% from RMB87.9 million for the year ended December 31, 2020 to RMB305.8 million for the year ended December 31, 2021, primarily due to the increase of the sales of battery materials. Such increase was mainly attributable to the increases in the revenue from sales of scrap materials generated during the production process as a result of the expansion of our production and operation scale.

Cost of Sales

Our cost of sales increased by 163.8% from RMB2,440.7 million for the year ended December 31, 2020 to RMB6,438.8 million for the year ended December 31, 2021. The increase was primarily due to increase in raw material costs, which was attributable to both the increase in (i) our sales volume and business expansion and (ii) the significant increase in the market price of raw materials including cathode materials and electrolytes.

Cost of Sales by Nature

Raw material costs

Our raw materials costs increased by 191.9% from RMB1,856.6 million for the year ended December 31, 2020 to RMB5,418.9 million for the year ended December 31, 2021. Our raw material costs as a percentage of our total cost of sales increased from 76.1% for the year ended December 31, 2020 to 84.2% for the year ended December 31, 2021. The increase was mainly due to (i) the expansion of our sales volume and business and (ii) the significant increase in the market price of raw materials including cathode materials and electrolytes.

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Manufacturing costs

Manufacturing costs increased by 74.2% from RMB445.3 million for the year ended December 31, 2020 to RMB775.7 million for the year ended December 31, 2021. The proportion of manufacturing costs in the total cost of sales decreased from 18.2% for the year ended December 31, 2020 to 12.0% for the year ended December 31, 2021. The overall increase in manufacturing costs is mainly due to the increase in depreciation and amortization expenses, and utility expenses as our business scale expanded.

Direct labor costs

Our labor costs increased by 75.9% from RMB138.8 million for the year ended December 31, 2020 to RMB244.2 million for the year ended December 31, 2021. Our labor costs as a percentage of our total sales cost decreased from 5.7% for the year ended December 31, 2020 to 3.8% for the year ended December 31, 2021. The overall labor cost is increasing generally, mainly due to the growth in number of production-related staff as our business scale expanded.

Cost of Sales by Products

EV battery

The cost of EV batteries increased by 165.6% from RMB2,157.2 million for the year ended December 31, 2020 to RMB5,729.1 million for the year ended December 31, 2021. The overall growth trend of our cost of sales of EV batteries outpaced that of the corresponding revenue, mainly because of the substantial increase in the prices of raw materials including cathodes materials and electrolytes.

ESS

The cost of ESS products increased by 103.1% from RMB207.3 million for the year ended December 31, 2020 to RMB421.1 million for the year ended December 31, 2021. The overall growth trend of the cost of sales of our ESS products outpaced that of the corresponding revenue mainly because of the substantial increase in the prices of raw materials including cathodes materials and electrolytes.

Others

The cost from sales of others increased by 278.7% from RMB76.2 million for the year ended December 31, 2020 to RMB288.6 million for the year ended December 31, 2021. The overall growth trend of the cost of sales of others exceeds that of the corresponding revenue mainly because of the increase in the prices of raw materials used to produce battery materials.

FINANCIAL INFORMATION

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit decreased by 1.7% from RMB384.7 million for the year ended December 31, 2020 to RMB378.3 million for the year ended December 31, 2021. Our overall gross profit margin decreased from 13.6% for the year ended December 31, 2020 to 5.5% for the year ended December 31, 2021. The change in gross profit margin was mainly because our raw materials costs increased by 191.9% from RMB1,856.6 million for the year ended December 31, 2020 to RMB5,418.9 million for the year ended December 31, 2021. Our raw material costs as a percentage of our total cost of sales increased from 76.1% for the year ended December 31, 2020 to 84.2% for the year ended December 31, 2021. Such increase was mainly due to (i) the expansion of our sales volume; and (ii) the significant increase in the market price of raw materials including cathode materials and electrolytes in 2021 when compared with 2020, whereby our average purchase price of cathode materials increased by approximately 37% and the average purchase price of electrolyte increased by approximately 60%. According to Frost & Sullivan, there had been phased imbalances of supply and demand of some raw materials for battery production in the market from the beginning of 2021, resulting in an increase in the price of raw materials and our cost of EV batteries, which was in line with industry norm.

EV battery

The gross profit of EV batteries decreased by 1.8% from RMB342.1 million for the year ended December 31, 2020 to RMB336.1 million for the year ended December 31, 2021. The gross profit margin for the year ended December 31, 2020 and 2021 decreased from 13.7% to 5.5% mainly because of the material increase in the prices of cathodes materials and electrolytes. As of the year ended December 31, 2021, the average purchase price of our cathode materials and electrolytes increased by approximately 37% and 60%, respectively. As a result, the raw material cost per Wh increased from RMB0.42 to RMB0.52. In order to actively cope with the rapid rise of upstream raw materials and safeguard our own reasonable profit, we have adjusted the selling price of EV battery products for the three months ended March 31, 2022 in response to the rise in upstream raw materials.

ESS

The gross profit of ESS products decreased by 19.1% from RMB30.9 million for the year ended December 31, 2020 to RMB25.0 million for the year ended December 31, 2021 and the gross profit margin decreased from 13.0% for the year ended December 31, 2020 to 5.6% for the year ended December 31, 2021, mainly due to the substantial increase in the prices of cathodes materials and electrolytes.

FINANCIAL INFORMATION

Others

Gross profit generated from other products increased by 47.0% from RMB11.7 million for the year ended December 31, 2020 to RMB17.2 million for the year ended December 31, 2021, with the gross profit margin decreasing from 13.3% for the year ended December 31, 2020 to 5.6% for the year ended December 31, 2021 mainly because of the increase in the prices of battery materials.

Investment and Other Income

Investment and other income primarily consists of interest income from bank deposits and investment products. Investment and other income increased by 457.6% from RMB31.6 million for the year ended December 31, 2020 to RMB176.2 million for the year ended December 31, 2021. The increase in our investment and other income was primarily attributable to the increase in our interest income, which was a result of the deposit products we purchased after we received capital contribution from investors in 2021.

Government Grants and Subsidies

Our government grants and subsidies increased by 170.2% from RMB134.9 million for the year ended December 31, 2020 to RMB364.5 million for the year ended December 31, 2021, mainly because we continuously carried out operating and R&D activities and government authorities provided relevant subsidies.

Other Gains and Losses, Net

Our other gains and losses, net, increased by 27.6% from gain of RMB61.9 million for the year ended December 31, 2020 to gain of RMB79.0 million for the year ended December 31, 2021, which was mainly attributable to (i) gains on disposal of Luoyang Company, and partially offset by (ii) the increase in provision of allowance for inventories. The increase in the allowance for inventories was in line with the increase in inventories, which was resulted from the increase in orders received and the increase in prices of main raw material.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 94.7% from approximately RMB82.3 million for the year ended December 31, 2020 to approximately RMB160.3 million for the year ended December 31, 2021, which was primarily due to the increase in sales services expense and employee remuneration expenses. With the increase in revenue, the sales service expenses grew correspondingly, and the employee remuneration expenses grew alongside our business scale expansion.

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Administrative Expenses

Our administrative expenses increased by 69.5% from approximately RMB243.1 million for the year ended December 31, 2020 to approximately RMB412.1 million for the year ended December 31, 2021, which was mainly due to the increase in employees remuneration expenses, depreciation and amortization, and taxes and surcharges. Employees remuneration expenses increased as a result of the increase in headcount. As the scale of the business expands and based on our business planning, the demand for purchase and construction of plants, properties and equipments increases, which in turn leads to higher depreciation and amortization expenses, and taxes and surcharges.

R&D Expenses

Our R&D expenses increased by 41.2% from approximately RMB202.0 million for the year ended December 31, 2020 to approximately RMB285.3 million for the year ended December 31, 2021, primarily due to the increase in employee remuneration expenses, depreciation and amortization and material expenses. Depreciation and amortization expenses increased along with our investment in R&D equipment, and employee remuneration expenses and material expenses increase accordingly along with the expands of business scale and addition of projects of relevant products development and technological research (such as the introduction of One-stop Bettery technology).

Finance Costs

Our finance costs decreased by 56.4% from approximately RMB57.4 million for the year ended December 31, 2020 to approximately RMB25.0 million for the year ended December 31, 2021. Although the finance costs before capitalization incurred during the year increased from approximately RMB57.4 million for the year ended December 31, 2020 to approximately RMB88.5 million for the year ended December 31, 2021 as a result of the increase in bank borrowings, interest expenses on loans amounting to approximately RMB63.6 million were capitalized as certain loans were specifically borrowed for the purpose of the construction of certain production lines in Changzhou and Xiamen, and were subsequently used for the construction of such production lines. As a result, the expensed finance costs decreased.

Loss/profit for the Year

As a result of the foregoing, our financial result for the year changed from loss of RMB18.3 million for the year ended December 31, 2020 to profit of RMB111.5 million for the year ended December 31, 2021.

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Year Ended December 31, 2019 Compared to Year Ended December 31, 2020

Revenue

Our revenue increased by 63.0% from RMB1,733.8 million for the year ended December 31, 2019 to RMB2,825.4 million for the year ended December 31, 2020. The increase was primarily due to the increase in revenue generated from our EV batteries.

EV battery

The revenue generated from sales of EV batteries increased by 77.3% from RMB1,409.9 million for the year ended December 31, 2019 to RMB2,499.3 million for the year ended December 31, 2020, which was primarily due to the increase in sales to certain major customers. The revenue generated from sales to Customer G increased from RMB461.2 million for the year ended December 31, 2019 to RMB1,557.5 million for the year ended December 31, 2020.

ESS

Revenue from sales of ESS products increased by 31.5% from RMB181.2 million for the year ended December 31, 2019 to RMB238.2 million for the year ended December 31, 2020, which was primarily due to the increase in sales volume from 0.20GWh for the year ended December 31, 2019 to 0.33GWh for the year ended December 31, 2020.

Others

Revenue from other products decreased by 38.4% from RMB142.8 million for the year ended December 31, 2019 to RMB87.9 million for the year ended December 31, 2020, which was primarily due to the sales to Luoyang Company before we acquired Luoyang Company as a subsidiary in July 2019, while such sales were no longer recognized at consolidated statement of profit or loss of the Group for the year ended December 31, 2020.

Cost of Sales

Cost of sales increased by 47.9% from RMB1,650.6 million for the year ended December 31, 2019 to RMB2,440.7 million for the year ended December 31, 2020. The increase was primarily due to the increase in raw materials and manufacturing costs as a result of the increase in sales volume.

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Cost of Sales by Nature

Raw materials

The cost of raw materials increased by 46.1% from RMB1,271.0 million for the year ended December 31, 2019 to RMB1,856.6 million for the year ended December 31, 2020. The cost of raw materials as a percentage of total cost of sales decreased from 77.0% for the year ended December 31, 2019 to 76.1% for the year ended December 31, 2020. The growth of cost of raw materials was generally in line with the growth of sales.

Manufacturing costs

The manufacturing costs increased by 54.5% from RMB288.3 million for the year ended December 31, 2019 to RMB445.3 million for the year ended December 31, 2020. Manufacturing costs as a percentage of total cost of sales increased from 17.5% for the year ended December 31, 2019 to 18.2% for the year ended December 31, 2020. The overall increase in manufacturing costs was primarily due to the increase in depreciation and amortization, utility expense with the expansion of our scale of operation.

Direct labor costs

The labor costs increased by 52.0% from RMB91.3 million for the year ended December 31, 2019 to RMB138.8 million for the year ended December 31, 2020. Labor costs as a percentage of total cost of sales increased from 5.5% for the year ended December 31, 2019 to 5.7% for the year ended December 31, 2020. The overall growth of labor costs was in line with our business growth.

Cost of Sales by Products

EV battery

The cost of sales of EV batteries increased by 61.3% from RMB1,337.0 million for the year ended December 31, 2019 to RMB2,157.2 million for the year ended December 31, 2020. The growth of cost of sales in this product is generally in line with the growth of our revenue.

ESS

The cost of sales of ESS increased by 36.4% from RMB152.0 million for the year ended December 31, 2019 to RMB207.3 million for the year ended December 31, 2020. The growth of cost of sales in this product is generally in line with the growth of our revenue.

Others

The costs of sales of others decreased by 52.8% from RMB161.6 million for the year ended December 31, 2019 to RMB76.2 million for the year ended December 31, 2020, which was in line with the trend for the sales of our other products.

FINANCIAL INFORMATION

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 361.8% from RMB83.3 million for the year ended December 31, 2019 to RMB384.7 million for the year ended December 31, 2020, which was primarily due to the increase in revenue and gross profit margin. The overall gross profit margin increased from 4.8% for the year ended December 31, 2019 to 13.6% for the same period in 2020. The change in gross profit margin was primarily because the increase in our revenue outpaced the increase in our cost of sales for the same periods, which was primarily attributable to (i) the benefits of economies of scale in our production volume as our Changzhou Production Base Phase II was in operation in 2020, which resulted in ramp up production volume from 2.69GWh for the year ended December 31, 2019 to 3.78GWh for the year ended December 31, 2020. Moreover, we also improved our efficiency in the manufacturing process. Our average utilization rate of production bases increased from 90.6% for the year ended December 31, 2019 to 92.0% for the year ended December 31, 2020. As we gradually expanded our production capacity and improved our production technology, the average manufacturing costs decreased from RMB0.15 per Wh for the year ended December 31, 2019 to RMB0.1 per Wh for the year ended December 31, 2020, which shows that we are able to spread our fixed costs over a larger number of products sold. Moreover, our direct labor cost per Wh^{Note} decreased from RMB0.05/Wh in 2019 to RMB0.03/Wh in 2020 due to the further release of our production capacity; (ii) benefiting by technology advancement and the price decrease of raw materials, the average cost of EV battery of the industry decreased from 2017 to 2020. Specifically, the decrease in the average purchase price of our major raw materials, of which cathode materials decreased by approximately 14.1%. For the two years ended December 31, 2020, due to the slow growth of EV battery installed capacity with the release of raw material production capacity during the period, the price of cathode raw material undergone a continuous declination, and reached its lowest point in 2020, according to Frost & Sullivan; and (iii) the increase in gross profit margin for others from (13.2)% for the year ended December 31, 2019 to 13.3% for the year ended December 31, 2020. Our gross profit for others accounted for approximately (22.6)% of total gross profit for the year ended December 31, 2019.

Our gross profit margin is tied to our development stage, for instance, we shifted our strategic focus to the EV passenger vehicle market in 2018 and was still at the initial stage of the implementation of such plan in 2019, and therefore incurred substantial early investment but did not generate much income, which led to relatively low gross profit margin for 2019. We then began to realize the benefits of economies of scale in 2020, which in turn, contributed to our strengthened gross profit margin.

Note: Direct labour cost per Wh is calculated based on direct labour cost divided by the sales volume.

FINANCIAL INFORMATION

EV battery

The gross profit of EV batteries increased by 369.3% from RMB72.9 million for the year ended December 31, 2019 to RMB342.1 million for the year ended December 31, 2020. The gross profit margin of EV batteries increased from 5.2% for the year ended December 31, 2019 to 13.7% for the same period in 2020, which was primarily due to the benefits of economies of scale in our production volume and we were able to spread our fixed costs over a larger number of products sold.

ESS

The gross profit of ESS products increased by 5.8% from RMB29.2 million for the year ended December 31, 2019 to RMB30.9 million for the year ended December 31, 2020. The gross profit margin of ESS products decreased from 16.1% for the year ended December 31, 2019 to 13.0% for the same period in 2020, which was primarily due to the average selling price continuing to decrease.

Others

Our gross profit generated from other products achieved a turnaround from loss of RMB18.8 million for the year ended December 31, 2019 to profit of RMB11.7 million for the year ended December 31, 2020. The gross profit margin increased from (13.2)% for the year ended December 31, 2019 to 13.3% for the same period in 2020. We had negative gross margin in 2019 due to our disposal of a batch of slow-moving products with relatively low price. We initiated our strategic restructuring and implemented strategic transformation in 2018, and such slow-moving products are some of the old model products. As the majority of such slow-moving products were disposed of in 2019, our prices for other products return to normal in 2020, which resulted in our gross margin returning to normal level, as reflected in a significant increase in our gross margins for other products in 2020 compared to 2019.

Investment and Other Income

Our investment and other income primarily consists of interest income from bank deposits and others. Our investment and other income increased by 69.0% from RMB18.7 million for the year ended December 31, 2019 to RMB31.6 million for the year ended December 31, 2020. The increase in our investment and other income was primarily attributable to the increase in our interest income, which in turn was a result of increase in bank deposits and financial products we purchased.

FINANCIAL INFORMATION

Government Grants and Subsidies

Our government grants and subsidies decreased by 56.3% from RMB308.6 million for the year ended December 31, 2019 to approximately RMB134.9 million for the year ended December 31, 2020, which was mainly attributable to the subsidies we received in relation to industry development and R&D in 2019, while there was no such large one-off subsidy received by us in 2020.

Other Gains and Losses, Net

Our other gains and losses turned from net loss of RMB142.0 million for the year ended December 31, 2019 to net gain of approximately RMB61.9 million for the year ended December 31, 2020. This is primarily because we carried out strategic stocking in 2019 in response to our planned production line upgrade in 2020, which led to a relatively high balance of inventories and consequently incurred allowance for inventories. While in 2020 the increase in our sales and our strengthened inventory management led to the reversal of allowance for inventories. In addition, due to the rapid technological update and iteration in the lithium battery industry, some old equipment was idle, resulting in impairment losses on equipment in 2019.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 56.8% from approximately RMB52.5 million for the year ended December 31, 2019 to approximately RMB82.3 million for the year ended December 31, 2020 primarily due to the expansion of our business scale. The main reason for the change is the increase in sales service fee and employee remuneration expenses. With the rapid development of our business, the provision of sales service fee increased with the revenue growth, and the number of employees increased with the expansion of our business.

Administrative Expenses

Our administrative expenses increased by 36.9% from approximately RMB177.6 million for the year ended December 31, 2019 to approximately RMB243.1 million for the year ended December 31, 2020, mainly due to our business expansion. The change is mainly due to the increase in business tax and property management fee with the expansion of the business scale. In addition, we incurred an increase in depreciation and amortization expenses as our office and electronic equipment increased.

R&D Expenses

Our R&D expenses increased by 48.6% from approximately RMB135.9 million for the year ended December 31, 2019 to approximately RMB202.0 million for the year ended December 31, 2020, primarily due to increase in the number of our R&D personnel and the increase in new product development and technology research projects (such as the introduction of “magazine battery”), resulting in an increase in employee compensation expenses and material costs.

FINANCIAL INFORMATION

Finance Costs

Our finance costs increased by 39.3% from approximately RMB41.2 million for the year ended December 31, 2019 to approximately RMB57.4 million for the year ended December 31, 2020 primarily because we maintained a relatively high level of borrowings throughout the year ended December 31, 2020 as compare to 2019.

Loss for the Year

As a result of the foregoing, our loss for the year decreased by 88.3% from RMB156.4 million for the year ended December 31, 2019 to RMB18.3 million for the year ended December 31, 2020.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we satisfied the need of our operations primarily with net cash generated from our operations, bank borrowings and equity fund raising. Our primary uses of cash were to fund working capital and other recurring expenses, and capital expenditures.

Consolidated Statements of Cash Flows

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

	Year Ended December 31,			Three Months Ended	
	2019	2020	2021	March 31,	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Operating profit before working capital changes	285,786	293,892	442,563	150,684	190,482
Changes in working capital	(797,384)	1,650,789	1,143,159	4,837	(2,515,924)
Interest expenses on lease liabilities	(2,167)	(2,552)	(21)	–	(587)
Income tax refund	–	100	302	–	–
Net cash (used in)/generated from operating activities	(513,765)	1,942,229	1,586,003	155,521	(2,326,029)
Net cash used in investing activities	(1,250,963)	(5,263,527)	(15,007,227)	(413,637)	(989,290)
Net cash generated from financing activities	2,044,325	4,569,990	14,837,464	182,587	3,571,334
Net increase in cash and cash equivalents	279,597	1,248,692	1,416,240	(75,529)	256,015
Cash and cash equivalents at the beginning of the year	165,703	445,229	1,693,284	1,693,284	3,109,518
Effect of foreign exchange rate changes	(71)	(637)	(6)	452	(37)
Cash and cash equivalents at the end of the year	445,229	1,693,284	3,109,518	1,618,207	3,365,496

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Net Cash (used in)/generated from operating activities

For the three months ended March 31, 2022, net cash used in operating activities amounted to RMB2,326.0 million, and was derived primarily from the following amounts plus a profit before tax of RMB131.0 million: (i) an increase of RMB1,848.4 million in trade and bills receivables as a result of rapid growth in sales; (ii) an increase of RMB1,279.8 million in prepayments, deposits and other receivables; and (iii) an increase of RMB1,012.8 million in inventories, which was partially offset by an increase in trade and bills payables of RMB1,506.7 million.

During the three months ended March 31, 2022, due to the rapid growth of market demand and continuous release of production capacity, to better capture the latest market opportunities, we carried out strategic stocking by securing the raw material, resulting in an increased cash outflow in material procurement. Meanwhile, under the rapid growth of sales, due to a certain time lag in our sales collection, we incurred net operating cash outflow within a short period. With the subsequent return of funds, our operating cash flow is expected to be improved and results in a net inflow.

In addition, we have adopted the measures below to improve our operating cash flow:

- Optimise the sales collection period and settlement method to expedite the cycle of recovering trade receivables;
- Strengthen customer credit management and speed up the return of funds;
- Enhance cooperation with suppliers and optimise the payment period and settlement method for purchases;
- Perform monthly review on trade receivables and aging analysis and closely monitor the status of cash flow.

For the year ended December 31, 2021, net cash generated from operating activities amounted to RMB1,586.0 million, and was derived primarily from the following amounts plus profit before tax of RMB63.4 million: (i) an increase of RMB4,499.8 million in trade and bills payables related to business expansion; (ii) increase of RMB1,125.6 million in other payables and accruals; and (iii) RMB453.5 million in depreciation of property, plant and equipment, which was partially offset by (i) an increase in inventories of RMB1,963.6 million, and (ii) an increase in trade and bills receivables of RMB2,088.5 million.

For the year ended December 31, 2020, net cash generated from operating activities amounted to RMB1,942.2 million, and was derived primarily from the following amounts plus a profit before tax of RMB4.3 million: (i) an increase of RMB228.9 million in trade and bills payables; (ii) a decrease of RMB598.9 million in inventories; (iii) RMB214.6 million in depreciation of property, plant and equipment; and (iv) an increase of RMB740.9 million in other payables and accruals.

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For the year ended December 31, 2019, net cash used in operating activities amounted to RMB513.8 million, and was derived primarily from the following amounts plus a loss before tax of RMB184.5 million: an increase of RMB666.6 million in inventories due to strategic stocking in preparation of production line upgrade, which was partially offset by RMB203.1 million of depreciation in property, plant and equipment.

Net cash used in investing activities

For the three months ended March 31, 2022, net cash used in investing activities amounted to RMB989.3 million, and was primarily due to (i) purchases of other financial assets of RMB2,400.0 million; (ii) payment of property, plant and equipment of RMB3,269.1 million; (iii) deposit of RMB638.3 million paid for the purchase and construction of property, plant and equipment; and (iv) payment of right-of-use assets of RMB481.4 million, which was partially offset by (i) proceeds of RMB5,690.0 million from disposal of other financial assets; and (ii) consideration of RMB500.0 million received from disposal of 51% of equity shares in Luoyang Company.

For the year ended December 31, 2021, net cash used in investing activities amounted to RMB15,007.2 million, which was primarily due to (i) purchases of other financial assets of RMB17,485.0 million; (ii) payment of property, plant and equipment of RMB8,853.0 million; (iii) deposit of RMB1,269.7 million paid for the purchase and construction of property, plant and equipment; and (iv) increase of RMB786.6 million in pledged bank deposits, which was partially offset by the proceeds of RMB13,930.0 million from disposal of other financial assets.

Net cash used in investing activities was RMB5,263.5 million in 2020, which was primarily due to (i) purchase of other financial assets of RMB2,863.0 million; (ii) payment of property, plant and equipment of RMB2,603.9 million; (iii) additions of intangible assets of RMB296.9 million due to investment in development cost and patents; and (iv) deposit of RMB231.7 million paid for the acquisition and construction of property, plant and equipment, which was partially offset by (i) a decrease of RMB446.5 million in pledged bank deposits and (ii) proceeds of RMB352.0 million from disposal of other financial assets.

Net cash used in investing activities was RMB1,251.0 million in 2019, which was primarily due to (i) payment of property, plant and equipment of RMB1,088.6 million; (ii) increase of RMB492.7 million in pledged bank deposits; and (iii) purchases of other financial assets of RMB310.0 million, which was partially offset by a decrease of RMB626.3 million in restricted bank balances.

FINANCIAL INFORMATION

Net cash generated from financing activities

For the three months ended March 31, 2022, net cash generated from financing activities amounted to RMB3,571.3 million, which was primarily due to net proceeds from bank borrowings of RMB2,238.1 million and capital contribution of RMB1,376.0 million from non-controlling interests.

In 2021, net cash generated from financing activities amounted to RMB14,837.5 million, which was primarily due to net proceeds from issuance of shares of RMB11,990 million and net increase in bank borrowings of RMB2,371.6 million.

In 2020, net cash generated from financing activities amounted to RMB4,570.0 million, which was primarily due to the amounts of RMB4,810.8 million from net proceeds from issuance of shares, which was partially offset by repayment of bank borrowings and other loans of RMB114.3 million.

In 2019, net cash generated from financing activities amounted to RMB2,044.3 million, which was primarily due to the net proceeds of RMB1,910.0 million from issuance of shares.

NET CURRENT ASSETS

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

	As of December 31,			As of	As of
	2019	2020	2021	March 31,	July 31,
	RMB'000	RMB'000	RMB'000	2022	2022
				RMB'000	RMB'000
					(unaudited)
Current assets					
Inventories	1,309,227	760,326	1,756,784	2,759,307	6,328,060
Trade and bills receivables	1,141,881	1,246,319	2,714,704	4,997,939	6,409,148
Prepayments, deposits and other receivables	534,080	628,621	1,645,749	4,004,021	4,276,242
Amount due from related parties	6,717	5,769	1,924,932	1,504,668	1,565,880
Other financial assets	89,726	2,603,689	6,182,575	3,006,877	2,003,445
Current tax assets	402	302	—	—	—
Pledged bank deposits	1,078,744	632,233	1,251,564	1,602,863	1,416,507
Restricted bank balances	1,422	252	252	252	1,452
Bank and cash balances	445,229	1,693,284	3,109,518	3,365,496	3,832,373
	4,607,428	7,570,795	18,586,078	21,241,423	25,833,107

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	As of December 31,			As of	As of
	2019	2020	2021	March 31,	July 31,
	RMB'000	RMB'000	RMB'000	2022	2022
				RMB'000	RMB'000
					(unaudited)
Current liabilities					
Trade and bills payables	2,036,979	2,656,718	6,316,866	8,258,770	14,400,902
Accruals and other payables	645,430	1,510,634	2,118,779	2,587,393	4,436,867
Contract liabilities	26,585	32,014	106,918	134,162	484,693
Amounts due to related parties	50,780	29,258	22,864	38,877	82,295
Lease liabilities	22,230	5,346	11,042	17,655	16,827
Bank borrowings	626,810	687,459	3,647	205,574	2,127,348
Other loans	175,711	60,564	–	–	–
Provisions	48,675	84,827	136,396	211,660	342,172
Financial guarantee	–	–	12,354	10,719	10,719
Put option liabilities	–	–	941,132	2,512,229	6,025,440
Current tax liabilities	–	–	220,352	259,727	139,885
	3,633,200	5,066,820	9,890,350	14,236,766	28,067,148
Net current assets/(liabilities)	974,228	2,503,975	8,695,728	7,004,657	(2,234,041)

Our net current assets of RMB7,004.7 million as of March 31, 2022 turned to net current liabilities of RMB2,234.0 million as of July 31, 2022, primarily due to (i) an increase in put option liabilities; (ii) an increase in trade and bills payables; (iii) an increase in bank borrowings; (iv) an increase in accruals and other payables; and (v) a decrease in other financial assets, partially offset by (i) an increase in inventories; (ii) an increase in trade and bills receivables; and (iii) an increase in bank and cash balances.

Our net current liabilities position would turn to net current assets position when the put option liabilities are derecognised upon the Listing. For more details about put option liabilities, please refer to “History, development and corporate structure – Subsidiaries of our Company” and “Financial information – Put option liabilities”.

Our net current assets decreased from RMB8,695.7 million as of December 31, 2021 to RMB7,004.7 million as of March 31, 2022, primarily due to (i) an increase in trade and bills payables; (ii) an increase in put option liabilities; and (iii) a decrease in other financial assets, partially offset by (i) an increase in inventories; (ii) an increase in trade and bills receivables; (iii) an increase in prepayments, deposits and other receivables; and (iv) an increase in bank and cash balances.

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Our net current assets increased from RMB2,504.0 million as of December 31, 2020 to RMB8,695.7 million as of December 31, 2021, primarily due to (i) an increase in trade and bills receivables; (ii) an increase in other financial assets; (iii) a decrease in bank borrowings; (iv) an increase in bank and cash balances; (v) an increase in prepayments, deposits and other receivables; (vi) an increase in amount due from related parties and (vii) an increase in inventory, partially offset by (i) an increase in accruals and other payables; and (ii) increase in trade and bills payables.

Our net current assets increased from RMB974.2 million as of December 31, 2019 to RMB2,504.0 million as of December 31, 2020, primarily due to (i) increase in other financial assets; (ii) increase in bank and cash balances as our business expanded; and (iii) decrease in other loans; partially offset by (i) decrease in inventories; (ii) decrease in pledged bank deposits; (iii) increase in trade and bill payables; (iv) increase in bank borrowings; and (v) increase in accruals and other payables.

ANALYSIS OF SELECTED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Property, Plant and Equipment

Our property, plant and equipment mainly consist of (i) building, (ii) machinery and (iii) construction in progress. The following table sets forth a breakdown of the net book amount of our property, plant and equipment as of the dates indicated:

	As of December 31,			As of
	2019	2020	2021	March 31,
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Buildings	1,493,110	2,989,664	3,159,272	3,911,768
Machinery	1,857,557	1,836,661	3,068,269	3,479,279
Construction in progress	1,405,861	3,592,425	8,771,908	11,139,452
Computer equipment	22,801	39,311	93,262	111,640
Furniture and office equipment	19,363	52,525	99,323	112,228
Motor vehicles	4,996	4,499	3,903	3,952
Leasehold improvement	41,988	51,383	55,565	52,759
Total	<u>4,845,676</u>	<u>8,566,468</u>	<u>15,251,502</u>	<u>18,811,078</u>

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Our property, plant and equipment increased from RMB15,251.5 million as of December 31, 2021 to RMB18,811.1 million as of March 31, 2022. The increase was mainly due to our continuous investment in the construction of production bases in Changzhou, Xiamen, Chengdu, Hefei and Wuhan according to our business plan, which was partially offset by the depreciation of the relevant assets.

Our property, plant and equipment increased from RMB8,566.5 million as of December 31, 2020 to RMB15,251.5 million as of December 31, 2021. The growth was mainly due to the increase in the number of construction in progress, which related to the continued construction of production bases in Changzhou and Xiamen, and the addition of new production base projects at Changzhou, Wuhan and Chengdu in 2021 based on our business plan, and is partially offset by the depreciation of the relevant assets.

Our property, plant and equipment increased from RMB4,845.7 million as of December 31, 2019 to RMB8,566.5 million as of December 31, 2020. The increase was mainly due to (i) an increases in buildings assets, and (ii) an increases in construction in progress at Changzhou and Xiamen production bases, which is partially offset by the depreciation of the relevant assets.

Goodwill

The following table sets forth the carrying amount of our goodwill balance as at the dates indicated.

	As of December 31,			As of
	2019	2020	2021	March 31,
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Goodwill	140,097	140,097	–	–

Goodwill arose from the acquisition of Luoyang Company. Goodwill acquired in a business combination was allocated upon acquisition to the cash-generating units that were expected to benefit from the business combination. The carrying amount of goodwill has been allocated to Luoyang Company.

In addition to goodwill, property, plant and equipment, right-of-use assets and intangible assets that generate cash flows were included in the relevant cash-generating units for the purpose of impairment assessment. The recoverable amount of a cash-generating units was determined based on its fair value less costs of disposal using the discounted cash flow method. Our Group prepares Luoyang Company CGU cash flow forecasts derived from the most recent financial budgets approved by our Directors for the period up to year 2026 and with the residual period using growth rate of 0%. 2026 is the year that the Luoyang Company CGU expected to fully attain its planned capacity and stabilized operating efficiency.

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During the Track Record Period, there was no change in the valuation technique we used to estimate the fair value of Luoyang Company's cash-generating units less costs of disposal.

The Luoyang Company CGU recoverable amount calculations have used the following key assumptions:

Key assumptions	As of December 31, 2019	As of December 31, 2020
Sales volume		
– Attainment of long term annual sales volume	Gradually attaining 4.7GWh in FY2026	Gradually attaining 4.7GWh in FY2026
Discount rate		
– Reflect current market assessment of time value of money and the risks specific to the CGU	10.1%	10.2%

The following unfavorable change in key assumptions (individually and while holding others unchanged) would remove the headroom such that the carrying amount of CGU would exceed the recoverable amounts:

Change in key assumptions	As of December 31, 2019	As of December 31, 2020
Sales volume	Expected annual sales volume reduced by 0.4GWh for all years across the forecast period	Expected annual sales volume reduced by 0.8GWh for all years across the forecast period
Discount rate (post-tax)	Increase of discount rate of 0.8%	Increase of discount rate of 2.2%

Our Directors believe that any reasonably possible change in the key assumptions on which the Luoyang Company CGU's recoverable amount is based would not cause the CGU's carrying amount to exceed its recoverable amount. The headroom, expressed as a percentage of the CGU's recoverable amount is approximately 10% and 24% as of December 31, 2019 and 2020, respectively.

FINANCIAL INFORMATION

Intangible Assets

Our intangible assets mainly consist of development cost and patent and proprietary technology. The following table sets forth a summary of our intangible assets balances as of the dates indicated.

	As of December 31,			As of
	2019	2020	2021	March 31,
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Patent and proprietary technology	443,315	386,484	808,836	782,513
Development cost	85,849	362,873	198,099	192,635
Computer software	23,034	27,472	66,006	76,216
Others	17	13	2,066	1,953
Total	<u>552,215</u>	<u>776,842</u>	<u>1,075,007</u>	<u>1,053,317</u>

Our intangible assets decreased from RMB1,075.0 million as of December 31, 2021 to aRMB1,053.3 million as of March 31, 2022, mainly due to the amortization of our patents and proprietary technology and development cost, partially offset by the additions in computer software.

Our intangible assets increased from RMB776.8 million as of December 31, 2020 to RMB1,075.0 million as of December 31, 2021, mainly due to the increase in patents and proprietary technology as (i) result of transfer of development costs to patents and proprietary technology; and (ii) the patents and proprietary technology we purchased from Luoyang Company.

Our intangible assets increased from RMB552.2 million as of December 31, 2019 to RMB776.8 million as of December 31, 2020, mainly due to an increase in our development costs as a result of our continuous R&D efforts, partially offset by the amortization of our patents and proprietary technology.

Development costs and relevant patents are allocated for impairment testing purpose to Xiamen Company CGU. The recoverable amount of the CGU has been determined on the basis of fair value less cost of disposal using discounted cash flow method. Our Group prepares Xiamen Company CGU cash flow forecasts derived from the most recent financial budgets approved by our Directors for the period up to year 2026 and with the residual period using growth rate of 0%. 2026 is the year that the Xiamen Company CGU expected to fully attain its planned capacity and stabilized operating efficiency.

FINANCIAL INFORMATION

The calculation for the recoverable amount of have used the following key assumptions:

Key assumptions	Xiamen Company CGU		
	As of December 31, 2019	As of December 31, 2020	As of December 31, 2021
Sales volume			
– Attainment of long term annual sales volume		Gradually attaining 17.6 GWh in FY2026	
Discount rate (post-tax)			
– Reflect current market assessment of time value of money and the risks specific to the CGU	11.2%	11.3%	12.0%

The following unfavorable change in key assumptions (individually and while holding others unchanged) would remove the headroom such that the carrying amount of CGU would exceed the recoverable amounts:

Change in key assumptions	As of December 31, 2019	As of December 31, 2020	As of December 31, 2021
Sales volume		Expected annual sales volume reduced by 2.1GWh for all years across the forecast period	
Discount rate (post-tax)		Increase of discount rate of 1.9%	

Our Directors believe that any reasonably possible change in the key assumptions on which the Xiamen Company CGU's recoverable amount is based would not cause the CGU's carrying amount to exceed its recoverable amount. The headroom, expressed as a percentage of the CGU's recoverable amount is over 40% as of December 31, 2019 and 2020. The headroom as of December 31, 2021 is approximately 20%.

Investments in associates

Our investments in associates mainly consist of share of net assets, goodwill on acquisition and impairment loss on disposal of a number of our associates. The following table sets forth a summary of our investments in associates balances as of the dates indicated.

	As of December 31,			As of March 31,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Share of net assets	46,801	52,768	657,416	16,964
Goodwill on acquisition	15,116	15,116	626,250	–
Impairment loss	–	–	(178,700)	–
Total	61,917	67,884	1,104,966	16,964

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Our investments in associates increased from RMB62.0 million as of December 31, 2019 to RMB67.9 million as of December 31, 2020, mainly due to the increase in share of net assets of CALB USA as CALB USA generated profit in 2020.

Our investments in associates increased from RMB67.9 million as of December 31, 2020 to RMB1,105.0 million as of December 31, 2021, mainly because (i) the recognition of Luoyang Company as an associate of the Company in November 2021 and (ii) the recognition of goodwill derived from the difference between the fair value of and carrying amount in investment in Luoyang Company, partially offset by the impairment loss recognized for the change in the fair value of the net assets of Luoyang Company.

The investment in Luoyang Company was recognised at fair value at initial recognition and subsequently measured using equity method. Our Company performed impairment test on the investment in Luoyang Company in accordance with IAS 36 as there was an indicator that the investment may be impaired due to the entrusted processing framework agreement entered between Luoyang Company and our Company on 31 December 2021. Luoyang Company's future cash flows were significantly impacted due to the change in its business model from a battery manufacturer to a battery processor, which in turn led to the significant decrease in the fair value of Luoyang Company and the recoverable amount of the investment in Luoyang Company. The impairment loss was recognized as the recoverable amount of the investment in Luoyang Company was less than its carrying amount.

Our investments in associates decreased significantly from RMB1,105.0 million as of December 31, 2021 to RMB17.0 million as of March 31, 2022, mainly due to the disposal of 49% of equity interests in Luoyang Company at a consideration of RMB1,087.8 million.

Inventories

Our inventories consist of raw materials, work in progress and finished goods. To minimize the risk of inventory accumulation, we review our inventory levels on a regular basis. We believe that maintaining appropriate levels of inventories can help us better plan raw material procurement and deliver our products to meet customer demand in a timely manner without straining our liquidity. The following table sets forth a summary of our inventory balances as of the dates indicated.

	As of December 31,			As of
	2019	2020	2021	March 31,
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Raw materials	129,560	214,860	1,079,889	1,189,652
Work in progress	432,481	193,861	192,848	634,122
Finished goods	747,186	351,605	484,047	935,533
	<u>1,309,227</u>	<u>760,326</u>	<u>1,756,784</u>	<u>2,759,307</u>

Note: Finished goods as of December 31, 2019 includes goods in transit of RMB2.5 million.

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Our inventory increased from RMB1,756.8 million as of December 31, 2021 to RMB2,759.3 million as of March 31, 2022, primarily because (i) in order to cope with the increase in the price of major raw materials and the increasing demand for our product, we have made strategic stocking in advance; (ii) as our operation scale expanded and our production capacity also increased, our work in progress and finished goods at each of our production bases increased; and (iii) the increase in raw material price led to the increase in the value of inventory.

Our inventory increased from RMB760.3 million as of December 31, 2020 to RMB1,756.8 million as of December 31, 2021, primarily due to (i) the trend of the increase in the price of raw materials, in response to which we implemented strategic stocking for raw materials in 2021; and (ii) a safety stock in advance for finished goods implemented by us in 2021 according to the production plan. As mentioned above, in 2021, the purchase price of our cathode material and electrolyte increased by 37% and 60%, respectively. Considering the rapid development of the lithium battery market and the tight supply of raw materials, and according to the then situation of supply and demand in the market, it is predicted that the supply of raw materials will continue to be tight and price will remain high for a period of time, thus we have made strategic stockpiles.

In terms of follow-up procurement strategy, for the raw materials that is under long-term shortage and the price of which is expected to continue to rise, we will continue to adopt the strategy of stocking inventory in advance, locking orders in advance and signing long-term agreement with suppliers, to alleviate the problem due to tight supply and demand and to reduce product costs. At the same time, we are also actively deploying upstream industries. The Materials Company established in January 2022 will mainly provide cathode materials in the future.

Our inventory decreased from RMB1,309.2 million as of December 31, 2019 to RMB760.3 million as of December 31, 2020, mainly because (i) we strengthened our inventory management amid the growth of sales, and (ii) in 2019, we implemented strategic stocking for both work in progress and finished goods in advance for the technological upgrading of the production line in order to ensure the sufficient supply of products in 2020.

As of July 31, 2022, our inventories as of December 31, 2021 and March 31, 2022 have been consumed or sold by 94.8% representing RMB1,665.4 million and 93.9% representing RMB2,591.2 million respectively.

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The following table sets forth our inventories turnover days for the years or the period indicated.

	For the year ended December 31,			For the three months ended March 31,
	2019	2020	2021	2022
Inventory turnover days	<u>163</u>	<u>155</u>	<u>71</u>	<u>57</u>

Note: Inventory turnover days equals the average of the beginning and ending inventories for the year/period divided by cost of sales for the year/period and multiplied by the number of days of the year/period.

Our inventory turnover days decreased from 163 days for the year ended December 31, 2019 to 57 days for the three months ended March 31, 2022, which was primarily due to the increase in sales and strengthened inventory management, resulting in the significant acceleration of inventory turnover.

Trade and Bills Receivables

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

	As of December 31,			As of March 31,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	596,799	1,034,524	2,143,559	3,552,773
Bills receivables	<u>641,723</u>	<u>331,409</u>	<u>608,336</u>	<u>1,482,722</u>
	1,238,522	1,365,933	2,751,895	5,035,495
Allowance for impairment	<u>(96,641)</u>	<u>(119,614)</u>	<u>(37,191)</u>	<u>(37,556)</u>
	<u>1,141,881</u>	<u>1,246,319</u>	<u>2,714,704</u>	<u>4,997,939</u>

Our trade and bills receivables increased from RMB2,714.7 million as of December 31, 2021 to RMB4,997.9 million as of March 31, 2022, mainly because the trade and bills receivables from certain customers were not due for collection. In addition, the sales increased for the three months ended March 31, 2022 as compared with the same period, resulting in a significant increase in the trade and bills receivables.

FINANCIAL INFORMATION

Our trade and bills receivables increased from RMB1,246.3 million as of December 31, 2020 to RMB2,714.7 million as of December 31, 2021, primarily due to the significant increase in sales along with our business expansion.

Our trade and bills receivables increased slightly from RMB1,141.9 million as of December 31, 2019 to RMB1,246.3 million as of December 31, 2020, primarily due to an increase in the sales of our products. Our revenue increased significantly but our trade and bills receivables did not have a corresponding significant increase, which was attributable to the increase in our sales to customers who provide advance payment.

The significant decrease in the allowance for impairment of our trade and bills receivables as of December 31, 2021 was attributable to the disposal of Luoyang Company.

As of July 31, 2022, RMB3,375.9 million representing 95.0% of our trade receivables as of March 31, 2022 have been collected and RMB2,040.6 million representing 95.2% of our trade receivables as of December 31, 2021 have been collected.

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

	For the year ended December 31,			For the three months ended March 31,
	2019	2020	2021	2022
Trade receivables turnover days	<u>134</u>	<u>91</u>	<u>81</u>	<u>65</u>

Note: The turnover days of trade receivables is calculated as the average of the beginning and ending balances of trade receivables for the year/period divided by the revenue for the year/period and multiplied by the number of days of the year/period.

Our trade receivables turnover days decreased from 134 days in 2019 to 91 days in 2020, 81 days in 2021, and to 65 days for the three months ended March 31, 2022, which is mainly due to the change in customer structure, the increase in our sales to customers who provide advance payment and the reduction in credit period. We generally grant our customers a credit period of 30 to 90 days. Our Directors believe that there is no recoverability issue for our trade and bills receivables, as we mainly grant credit terms with a maximum credit limit to high quality customers, require payment in advance for new customers and only accept bills issued by reputable banks. In addition, the trade receivables turnover days during the Track Record Period was decreasing and we had made sufficient provisions accordingly. As of December 31, 2019, 2020 and 2021 and March 31, 2022, we have made allowance for impairment of RMB96.6 million, RMB119.6 million, RMB37.2 million and RMB37.6 million, respectively.

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The following table sets forth the aging analysis of our trade receivables, presented based on the invoice date, as of the dates indicated.

	As of December 31,			As of
	2019	2020	2021	March 31,
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Within 180 days	354,922	772,707	2,077,688	3,410,018
181 to 365 days	32,875	76,620	7,559	102,202
1 to 2 years	92,450	27,743	21,121	2,997
Over 2 years	19,911	37,840	—	—
Total	500,158	914,910	2,106,368	3,515,217

Prepayments, Deposits and Other Receivables

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

	As of December 31,			As of
	2019	2020	2021	March 31,
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Deposits paid for acquisition of property, plant and equipment	252,455	484,181	1,675,984	2,314,271
Prepayments	54,833	48,659	571,998	1,289,366
Other tax receivables	395,541	542,868	1,042,216	1,469,303
Consideration receivables	—	—	—	1,087,800
Other receivables	83,706	37,094	31,535	157,552
	786,535	1,112,802	3,321,733	6,318,292

Note: Other receivables include government subsidies receivable, deposits and rental income receivable, etc.

Our prepayment, deposits and other receivables increased from RMB3,321.7 million as of December 31, 2021 to RMB6,318.3 million as of March 31, 2022, primarily due to (i) our transfer of 49% equity interest in Luoyang Company to Jinhang Holding for the three months ended March 31, 2022, the relevant consideration receivable amounted to RMB1,087.8 million which has been fully settled as of the Latest Practicable Date; (ii) the increase in prepayments

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for procurement of raw materials; and (iii) deposit paid for acquisition and construction of property, plant and equipment for construction of new production line in Changzhou as we continued to expand our production capacity.

Our prepayment, deposits and other receivables increased from RMB1,112.8 million as of December 31, 2020 to RMB3,321.7 million as of December 31, 2021, primarily due to an increase in (i) deposit paid for acquisition and construction of property, plant and equipment for construction of new production line and laboratory building in Changzhou as we continued to expand our production capacity, (ii) prepayments for materials and (iii) an increase in the amount of tax credit for the input of value-added tax.

Our prepayment, deposits and other receivables increased from RMB786.5 million as of December 31, 2019 to RMB1,112.8 million as of December 31, 2020, primarily due to (i) an increase in deposit paid for acquisition of property, plant and equipment for the construction of production bases in Changzhou and Xiamen and (ii) an increase in the amount of tax credit for the input of value-added tax.

As of July 31, 2022, our deposits paid for acquisition of property, plant and equipment as of December 31, 2021 and March 31, 2022, of which 52.5% representing RMB879.7 million and 37.4% representing RMB865.6 million respectively have been transferred to property, plant and equipment.

As of July 31, 2022, our other tax receivables as of December 31, 2021 and March 31, 2022 have been deducted or utilized by 97.3% representing RMB1,013.8 million and 90.6% representing RMB1,331.0 million respectively.

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Other Financial Assets

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

	As of December 31,			As of
	2019	2020	2021	March 31,
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Investment in wealth management product, at fair value	89,726	–	–	–
Investments in structured products, at fair value	–	1,002,420	3,713,705	402,103
Investment in listed equity security, at fair value	–	–	–	116,765
Certificate of deposit	–	1,601,269	2,468,870	2,488,009
	<u>89,726</u>	<u>2,603,689</u>	<u>6,182,575</u>	<u>3,006,877</u>

Our other financial assets decreased from RMB6,182.6 million as of December 31, 2021 to RMB3,006.9 million as of March 31, 2022, primarily due to the redemption of part of structured products.

Our other financial assets increased from RMB89.7 million as of December 31, 2019 to RMB2,603.7 million as of December 31, 2020 and then to RMB6,182.6 million as of December 31, 2021, primarily due to capital contributions we received from investors in 2020 and 2021. In order to improve the capital utilization efficiency and reduce the capital cost, we used part of the capitals received to purchase structured products and large amount deposit products with principal guaranteed from reputable commercial banks on a short-term basis. During the Track Record Period, the holding period of our structured products and large amount deposit products was less than one year and the annual interest rate did not exceed 3.79%.

Considering that such structured products are short-term and principal guaranteed, we believe our credit risk exposure is limited. In the future, we will continue to purchase low-risk structured products on a short-term basis based on our operational needs.

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We have established a set of investment policies and internal control measures to achieve reasonable returns on our investments of structured products or similar wealth management products while mitigating our exposure to investment risks. These policies and measures primarily include:

- Our finance department is responsible for the purchase of structured products. We generally designate professional personnel in our finance department to execute investment plan of structured products. The investment decisions are subject to a series of internal approval processes and are ultimately approved by management. Our management monitors the volume of investments in structured products and the associated risks and is required to report such matter to the Board from time to time as appropriate. In general, we are only allowed to make investments to the products with relatively simple structure and principal guaranteed;
- We make investment decisions based on our estimated capital requirements in the near future and our annual financial forecast, taking into account the assessment on product terms and prices, expected returns, investment duration and risks of the products;
- We periodically assess the liquidity, capital structure and investments position of our Group and make capital expenditure arrangement and cash flow forecast. We also regularly analyse the difference between our actual cash outflow and cash flow forecast or budget and make investment decisions based on such assessment and analysis results accordingly; and
- We assess on a case-by-case basis, carefully consider a number of factors including the macroeconomic environment, general market conditions and the expected profit or potential loss of the proposed investment, and ensure that the proposed investment does not interfere with our day-to-day operations and business prospects.

After Listing, we intend to continue our investments in the structured products strictly in accordance with our internal policies and measures and the requirements under Chapter 14 of the Listing Rules.

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Amounts Due from Related Parties

The following table sets forth our amounts due from related parties as of the dates indicated.

	As of December 31,			As of
	2019	2020	2021	March 31,
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Amounts due from associates				
– trade related	–	–	813,073	–
Amounts due from a subsidiary of shareholders				
– trade related	–	–	–	992,633
Amounts due from associates				
– non-trade related	3,666	–	132,278	–
Amount due from a joint venture – non-trade related	29	3,550	–	–
Amounts due from subsidiaries of shareholders				
– non-trade related	3,022	–	979,200	511,644
Amount due from a shareholder – non-trade related	–	2,219	381	391
	<u>6,717</u>	<u>5,769</u>	<u>1,924,932</u>	<u>1,504,668</u>

Our amounts due from related parties decreased from RMB6.7 million as of December 31, 2019 to RMB5.8 million as of December 31, 2020 and then increased to RMB1,924.9 million as of December 31, 2021. The material increase in amounts due from related parties in 2021 was primarily due to (i) the transfer of the amount due from Luoyang Company to the amount due from an associate after the disposal of Luoyang Company, and an increase in prepayment to Luoyang Company in connection with entrusted processing services; and (ii) an increase in amount due from Jincheng Technology, the acquirer of Luoyang Company, subsequent to the disposal of Luoyang Company. Our amounts due from related parties decreased from RMB1,924.9 million as of December 31, 2021 to RMB1,504.7 million as of March 31, 2022, primarily due to the receipt of consideration of RMB500 million from Jincheng Technology. The consideration receivable from Jincheng Technology has been fully settled by August 26, 2022. Our non-trade amounts due from the related parties will be settled before the Listing.

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Trade and Bills Payables

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

	As of December 31,			As of
	2019	2020	2021	March 31,
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Bills payables	1,129,992	1,383,929	2,871,688	3,840,658
Trade payables	906,987	1,272,789	3,445,178	4,418,112
	<u>2,036,979</u>	<u>2,656,718</u>	<u>6,316,866</u>	<u>8,258,770</u>

Our trade payables mainly relate to the procurement of raw materials from our suppliers. The trade payables are non-interest-bearing and normally settled within 180 days.

Our trade and bills payables increased from RMB6,316.9 million as of December 31, 2021 to RMB8,258.8 million as of March 31, 2022, due to the increase in purchase of materials with the growth of our business.

Our trade and bills payables increased from RMB2,656.7 million as of December 31, 2020 to RMB6,316.9 million as of December 31, 2021, due to increases in both bills payables and trade payables, which was a result of increase in raw material purchase to support our expanding operation.

Our trade and bills payables increased from RMB2,037.0 million as of December 31, 2019 to RMB2,656.7 million as of December 31, 2020, primarily due to the increase in purchase payment of raw material as a result of the increase in purchase of raw material.

As of July 31, 2022, RMB3,392.1 million or 98.5% of our trade payables as of December 31, 2021 was settled. As of July 31, 2022, RMB4,227.5 million or 95.7% of our trade payables as of March 31, 2022 was settled.

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The following table sets forth our trade payables turnover days for the years/period indicated.

	For the year ended December 31,			For the three months ended
	2019	2020	2021	March 31, 2022
Trade payables turnover days	<u>131</u>	<u>163</u>	<u>134</u>	<u>99</u>

Note: The trade payables turnover days is calculated as the average of the beginning and ending balances of the trade payables for the year/period divided by the cost of sales of the year/period and multiplied by the number of days in the year/period.

The change in our trade payables turnover days during the Track Record Period is mainly due to the increase in our settlements with suppliers with bank acceptance bills in 2020 in order to slow down the outflow of cash, which led to the increase in our trade payables turnover days. In 2021 and for the three months ended March 31, 2022, as the raw material market supply was under tension, we accelerated to make payment to prepare strategic stocking in advance and ensure the supply of raw materials, which led to the decrease in our trade payables turnover days.

The following table sets forth the aging analysis of our trade payables as of the dates indicated, based on the invoice date.

	As of December 31,			As of
	2019	2020	2021	March 31, 2022
	RMB'000	RMB'000	RMB'000	RMB'000
Within 180 days	859,219	1,234,387	3,439,948	4,416,201
181 to 365 days	34,320	17,712	976	–
1 to 2 years	12,089	10,579	654	618
Over 2 years	<u>1,359</u>	<u>10,111</u>	<u>3,600</u>	<u>1,293</u>
Total	<u>906,987</u>	<u>1,272,789</u>	<u>3,445,178</u>	<u>4,418,112</u>

During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that we did not default in payment of any trade and bills payables.

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Other Payables and Accruals

The following table sets forth our other payables and accruals as of the dates indicated.

	As of December 31,			As of March 31,
	2019	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Deposits received	19,086	42,530	82,074	126,693
Accrued salaries	113,379	150,768	139,657	138,292
Accrued expenses	11,711	17,975	142,838	182,333
Payable for property, plant and equipment	468,923	736,564	1,207,095	1,596,156
Fund advanced from government-related entity	–	500,000	500,000	500,000
Other tax payable	8,504	24,626	21,406	16,908
Other	23,827	38,171	25,709	27,011
	645,430	1,510,634	2,118,779	2,587,393

During the Track Record Period, our Group has received funds from government-related entity and such funds have been and would be recognised as government grants in accordance with IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance when there is reasonable assurance that our Group will comply with the condition attaching to it.

Our other payables and accruals increased from RMB2,118.8 million as of December 31, 2021 to RMB2,587.4 million as of March 31, 2022, primarily due to the increase in payables for property, plant and equipment as we continued to invest in production bases construction, which was in line with our business plan for production expansion. Fund advanced from government-related entity of RMB500 million as of March 31, 2022 is a fund received in 2021 and is expected to be recognised as government grants to profit and loss in 2023.

Our other payables and accruals increased from RMB1,510.6 million as of December 31, 2020 to RMB2,118.8 million as of December 31, 2021, primarily due to increases in amounts payable for property, plant and equipment, which is in line with our production expansion. Fund advanced from government-related entity of RMB500 million as of December 31, 2021 is a fund received in 2021 as mentioned above and is expected to be recognised as government grants to profit and loss in 2023.

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Our other payables and accruals increased from RMB645.4 million as of December 31, 2019 to RMB1,510.6 million as of December 31, 2020, primarily due to (i) receipt of fund advanced from government-related entity in 2020, which can be recognized as government grants and subsidies to profit and loss following the commencement of mass production of lithium batteries and delivery of the Xiamen production lines from 2021 to 2023 based on the government documents. The fund was transferred to deferred income in 2021 after the commencement of mass production and delivery of products. RMB171 million and RMB96.6 million were recognised as income in 2021 and the first quarter of 2022 respectively. The remaining RMB232.4 million is expected to be recognised as income in 2022, and (ii) increase in our payables for property, plant and equipment, which is in line with our production expansion.

Financial Position of Luoyang Company

In 2019, we completed the acquisition of Luoyang Company. Please see “History, Development and Corporate Structure – Our Corporate Development – Major changes in shareholding and corporate form – Equity transfer and capital increases in July 2019” for more details.

Luoyang Company constituted a material portion of our financial results during the Track Record Period. To facilitate our investors to understand the financial position of Luoyang Company, we set forth the financial information of Luoyang Company, which represents amounts before inter-company eliminations and extracted from Note 24 to the Appendix I, as follows.

Luoyang Company

	Year Ended December 31,	
	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets	2,311,244	2,445,299
Current assets	2,868,419	2,100,095
Current liabilities	(2,814,836)	(2,445,153)
Net current assets/(liabilities)	<u>53,583</u>	<u>(345,058)</u>
Total assets less current liabilities	<u>2,364,827</u>	<u>2,100,241</u>
Non-current liabilities	(614,707)	(438,918)
Net assets	<u><u>1,750,120</u></u>	<u><u>1,661,323</u></u>

Note: Luoyang Company was disposed by the Company and became an associate on November 8, 2021.

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WORKING CAPITAL SUFFICIENCY STATEMENT

In view of the positive turning of our operating cash flows, increase in net current assets, and gradual narrow-down of the losses from operations during the Track Record Period, based on our cash flow projections and taking into account the cash and cash equivalents on hand as of the date of this prospectus and the financial resources available to us, our Directors are of the opinion that we have sufficient working capital for our present requirement, which is, for at least the next 12 months from the date of this prospectus.

INDEBTEDNESS

The following table sets forth our indebtedness as of the dates indicated:

	As of December 31,			As of	As of
	2019	2020	2021	March 31,	July 31,
	RMB'000	RMB'000	RMB'000	2022	2022
				RMB'000	RMB'000
					(unaudited)
Current					
Loan from a subsidiary of a shareholder	45,907	–	–	–	–
Amounts due to related parties	173	24,558	22,864	38,877	82,295
Lease liabilities	22,230	5,346	11,042	17,655	16,827
Bank borrowings	626,810	687,459	3,647	205,574	2,127,348
Other loans	175,711	60,564	–	–	–
Financial guarantees	–	–	12,354	10,719	10,719
Put option liabilities	–	–	941,132	2,512,229	6,025,440
	<u>870,831</u>	<u>777,927</u>	<u>991,039</u>	<u>2,785,054</u>	<u>8,262,629</u>
Non-current					
Loan from a shareholder	650,260	–	–	–	–
Lease liabilities	69,511	5,612	15,709	83,717	78,991
Bank borrowings	249,019	140,000	2,887,000	4,923,203	7,309,343
Other loans	163,735	212,982	–	–	–
	<u>1,132,525</u>	<u>358,594</u>	<u>2,902,709</u>	<u>5,006,920</u>	<u>7,388,334</u>
	<u><u>2,003,356</u></u>	<u><u>1,136,521</u></u>	<u><u>3,893,748</u></u>	<u><u>7,791,974</u></u>	<u><u>15,650,963</u></u>

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As of July 31, 2022, our bank borrowings of RMB7,100.0 million were secured by certain property, plant and equipment and right of use assets. Our total bank borrowings decreased from RMB875.8 million as of December 31, 2019 to RMB827.5 million as of December 31, 2020 primarily because of the decrease in loans more than one year, but not exceeding two years. Our bank borrowings increased from RMB2,890.6 million as of December 31, 2021 to RMB5,128.8 million as of March 31, 2022 and further increased to RMB9,436.7 million as of July 31, 2022 primarily because of the increase in loans used for construction of production bases in Changzhou, Xiamen, Chengdu and Wuhan, in order to meet the capital needs of our business expansion and the continuous investment in major projects.

As of July 31, 2022, our Group had unutilized bank borrowing facility of RMB12,550.0 million.

FINANCIAL GUARANTEES

As of July 31, 2022, the Group has provided financial guarantee in respect of bank borrowings granted to Luoyang Company. The maximum potential liability of the Group as of July 31, 2022 under the aforesaid financial guarantee was approximately RMB135.0 million. Such bank borrowings were fully repaid by Luoyang Company in September 2022 and the corresponding financial guarantee was released thereafter.

PUT OPTION LIABILITIES

The Company has signed investment agreements containing put options (the “**Written Put Option(s)**”) with certain non-controlling interest shareholders of the Company’s subsidiaries. The Written Put Options give the non-controlling interest shareholders the right to demand that the Company repurchase the equity interests of the subsidiaries held by the non-controlling shareholders within specified periods at the put option exercise prices. According to the investment agreements, such Written Put Option will be terminated automatically and of no effect on the date when our Company submits our listing application for the listing of our Shares on any domestic or foreign stock exchange. If subsequently our Company withdraws our listing application or our listing application is not approved, such Written Put Option will be automatically restored. As of December 31, 2021, March 31, 2022 and July 31, 2022, the Company had put option liabilities at fair value amounted to approximately RMB941.1 million, RMB2,512.2 million and RMB6,025.4 million, mainly due to the establishment of certain non-wholly-owned subsidiaries with our partners and granted equity share repurchase options to non-controlling shareholders, resulting in an increase in our put option liabilities.

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CONTINGENT LIABILITIES

The Group has the following contingent liabilities:

- (a) During July 2021 to July 2022, Contemporary Amperex Technology Co., Limited (“CATL”) has brought five intellectual property infringement claims (for Patent I, Patent II, Patent III, Patent IV and Patent VI) against the Company and Luoyang Company and one intellectual property infringement claim (for Patent V) against Luoyang Company (each a “**Claim**” and together, the “**Claims**”).

CATL petitioned to immediately stop infringing the relevant patents (including, without limitation, to cease manufacturing, selling or offering to sell relevant products that apply the relevant patents), the Group to pay in aggregate amount of RMB615 million (including royalties payable during the temporary protection period for invention patents) to CATL as compensation for such alleged intellectual property infringements and bear the RMB3.2 million expenses (in respect of Patent I, Patent II, Patent III, Patent IV and Patent VI), and Luoyang Company to pay compensation of RMB30 million to CATL and bear the RMB0.5 million expenses (in respect of Patent V).

The total amount claimed by CATL against the Company and Luoyang Company for the alleged infringement of intellectual property rights (including the amount of compensation for Patent I to Patent VI and related expenses incurred by CATL) is approximately RMB648.7 million. However, Luoyang Company ceased to be a subsidiary of the Group after its disposal in November 2021 and has confirmed to the Company that if the Court rules against Luoyang Company or orders Luoyang Company to pay the compensation to CATL, it shall assume all liabilities on its own. As a result, the Group would no longer be liable to the contingent compensation of RMB30 million and expenses of RMB0.5 million in relation to the Claim against Luoyang Company for Patent V. In addition, with respect of Claims in relation to Patent II and Patent VI, the Company and Luoyang Company are joint defendants and Luoyang Company will bear its respective portion of compensation as determined by the Courts. The claimed amount and reasonable costs incurred by CATL for Patent II are RMB365 million and RMB1.2 million, whilst the claimed amount and reasonable costs incurred by CATL for Patent VI are RMB130 million and RMB0.5 million.

As of the Latest Practicable Date, the Claims in relation to Patent I to Patent V had moved to the substantive hearing stage and the Company is in the progress of contesting the Claims. The Company has received the pleadings from CATL in respect of Patent VI and is in the process of preparing to contest such Claim.

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Based on the analysis and views of the Company's special IP counsel (V&T Law Firm) and after assessment, as of the Latest Practicable Date, our Directors are of the view that the Claims are lacking in merit and it is not probable that an outflow of economic benefits will be required to settle the Claims.

Further details of the Claims are set out in the "Business – Regulatory Compliance and Legal Proceedings – Intellectual Property Infringement Claims" of the Prospectus.

- (b) The Group endorsed certain bills receivables for the settlement of trade and other payables. For details, please see Note 48 of Section B to the Accountant's Report set out in Appendix I to this Prospectus. The maximum exposure to the Group that may result from the default of these endorsed bills are as follows:

	As of December 31,			As of	As of
	2019	2020	2021	March 31,	July 31,
	RMB'000	RMB'000	RMB'000	2022	2022
				RMB'000	RMB'000
					(unaudited)
Endorsed bills for settlement of					
trade and other payables	93,865	25,131	111,950	413,482	2,219,939

The increase in endorsed bills was because as production capacity and sales of products increased, the Group received more bank acceptance bills from customers and endorsed the bills to settle trade and other payables.

Post-Track Record Period Financing

As of the Latest Practicable Date, in addition to the bank borrowings and facilities mentioned above, we were in the process of obtaining approvals for banking facilities of approximately RMB20.3 billion. All the banking facilities will be utilized for expansion and construction of lithium-ion battery manufacturing plant and supplementary of working capital purposes.

Except for our indebtedness as disclosed above, we did not have outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptance (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities as of July 31, 2022, being the latest practicable date for our indebtedness statement.

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Except for our indebtedness as disclosed above, since July 31, 2022 and up to the date of this prospectus, there has not been any material and adverse change in our indebtedness and contingent liabilities. Our Directors do not foresee any potential difficulty in obtaining bank facilities should the need arise.

CAPITAL EXPENDITURES

Our capital expenditures were RMB1,342.7 million, RMB3,030.1 million, RMB9,648.5 million and RMB3,767.2 million in 2019, 2020, 2021 and the three months ended March 31, 2022, respectively. Our capital expenditures were used primarily for the expansion of our production capacities, including the construction of additional production facilities and the upgrading of our existing machinery and equipment. The following table sets forth our capital expenditures for the years/period indicated.

	Years Ended December 31,			Three Months Ended
	2019	2020	2021	March 31, 2022
	RMB'000	RMB'000	RMB'000	RMB'000
Property, plant and equipment and right-of-use assets	1,245,287	2,733,125	9,120,873	3,750,441
Intangible assets	97,453	296,935	527,597	16,802
Total	1,342,740	3,030,060	9,648,470	3,767,243

CAPITAL COMMITMENTS

Our capital commitments during the Track Record Period were primarily relating to the acquisition of property, plant and equipment, intangible assets and capital contribution to associates. As of December 31, 2019, 2020 and 2021 and March 31, 2022, the total amount of our capital expenditures contracted for but not yet incurred was RMB1,249.1 million, RMB2,477.8 million, RMB16,895.0 million and RMB23,090.9 million, respectively.

	As of December 31,			As of
	2019	2020	2021	March 31, 2022
	RMB'000	RMB'000	RMB'000	RMB'000
Property, plant and equipment	1,195,253	2,469,278	16,857,495	23,078,215
Intangible assets	1,821	8,492	37,492	12,730
Capital contribution to associates	52,000	—	—	—
Total	1,249,074	2,477,770	16,894,987	23,090,945

FINANCIAL INFORMATION

Latest Industry Regulation and Trend

According to Frost & Sullivan, the Action Plan for Carbon Dioxide Peaking Before 2030 proposed to actively develop “new energy + energy storage”, power-grid-load-storage integration and multi-energy complementarity, and support the rational allocation of energy storage systems for distributed new energy sources. It also proposed to speed up the demonstration and application of new types of energy storage and aimed to achieve the installed capacity of new types of energy storage of over 30GW by 2025 and the provincial power grid will basically have a peak load response capability of more than 5% by 2030.

According to Frost & Sullivan, the Ministry of Industry and Information Technology of the PRC predicts that with the release of new production capacity, sale volume of China’s NEVs will hit new high in the coming years. The State Council also indicates that by 2025, the sales of NEVs in China will be up to nearly 20% of the total sales of passenger vehicles. Meanwhile, infrastructure construction of NEVs such as the development of charging networks has been highly emphasized as well.

According to Frost & Sullivan, the globally shortage of nickel supply may further increase the cost of power batteries. With the continuous decline of LME nickel inventories, the increase in sanctions against Russia has further hindered the trading and transportation of Russian nickel, which has exacerbated the shortage of nickel. According to Frost & Sullivan, the Russia produces 17% of the world’s top nickel products. Nickel prices were already rising on tight supplies before Russia’s recent special military operation against Ukraine. If nickel prices continue to rise, it could push up the cost of electric vehicle batteries and complicate the energy transition.

OFF-BALANCE SHEET ARRANGEMENTS

We have not entered into, nor do we expect to enter into, any off-balance sheet arrangements. In addition, we have not entered into any derivative contracts that are indexed to our equity interests and classified as owners’ equity. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or that engages in leasing, hedging or R&D services with us.

FINANCIAL INFORMATION

KEY FINANCIAL RATIOS

The following table sets forth a summary of our key financial ratios as of the dates or for the years/period indicated.

	Year Ended December 31,			Three Months Ended March 31,
	2019	2020	2021	2022
Return on equity (%) ⁽¹⁾	NM ⁽³⁾	NM ⁽³⁾	0.4	N/A ⁽⁷⁾
Return on assets (%) ⁽²⁾	NM ⁽³⁾	NM ⁽³⁾	0.3	N/A ⁽⁷⁾
Gearing ratio (%) ⁽⁴⁾	33.1	9.0	15.6	31.3
Current ratio (time) ⁽⁵⁾	1.3	1.5	1.9	1.5
Quick ratio (time) ⁽⁶⁾	0.9	1.3	1.7	1.3

Notes:

1. Return on equity is calculated based on the profit for the relevant year divided by the ending balance of total equity and multiplied by 100%.
2. Return on assets is calculated based on the profit for the relevant year divided by the ending balance of total assets and multiplied by 100%.
3. NM: The metric is not meaningful due to net loss recorded during the relevant years.
4. Gearing ratio is calculated based on the loans from related parties, lease liabilities, bank borrowings, other loans, financial guarantees put option liabilities and amounts due to related parties divided by total equity as at the respective year/period and multiplied by 100%.
5. Current ratio is calculated based on the total current assets divided by the total current liabilities as at the end of the respective year/period.
6. Quick ratio is calculated as total current assets less inventories divided by the total current liabilities as at the end of the respective year/period.
7. N/A: The figure for the three months ended March 31, 2022 is not meaningful as it is not comparable to the annual figure.

Gearing ratio

Gearing ratio increased from 15.6% as of December 31, 2021 to 31.3% as of March 31, 2022, mainly because we established certain non-wholly-owned subsidiaries with our partners during the three months ended March 31, 2022 and granted equity share repurchase options to non-controlling shareholders, resulting in an increase in our put option liabilities. In addition, our bank borrowings increased from RMB2,890.6 million as of December 31, 2021 to RMB5,128.8 million as of March 31, 2022 to meet the capital needs for our business expansion and the continuous investment in major projects.

FINANCIAL INFORMATION

Gearing ratio increased from 9.0% as of December 31, 2020 to 15.6% as of December 31, 2021, mainly due to the increase in the Group's bank borrowings. The Group's bank borrowings increased from RMB827.5 million as of December 31, 2020 to RMB2,890.6 million as of December 31, 2021 to meet the capital needs of the Group's business expansion and the continuous investment in major projects.

Gearing ratio decreased from 33.1% as of December 31, 2019 to 9.0% as of December 31, 2020, mainly due to the increase in the Group's total equity, which was mainly attributable to (i) the net proceeds from issuance of capital of RMB4,810.8 million in 2020; (ii) the capital injection in the form of non-monetary assets (including land, building and equipment) of RMB1,080.6 million; and (iii) the conversion of loan from a shareholder of approximately RMB650.3 million to capital in 2020.

Current ratio

The Group's current ratio decreased from 1.9 as of December 31, 2021 to 1.5 as of March 31, 2022, because we (i) redeemed some financial products and invested the fund into project construction to facilitate our construction plans; and (ii) granted the equity share repurchases options to the non-controlling shareholders of new non-wholly-owned subsidiaries, resulting in the increase of the put option liabilities.

The Group's current ratio increased from 1.5 as of December 31, 2020 to 1.9 as of December 31, 2021, which was attributable to the increase in bank and cash balances from RMB1,693.3 million as of December 31, 2020 to RMB3,109.5 million as of December 31, 2021. The Group received net proceeds from issuance of capital of RMB11,990 million.

The Group's current ratio increased from 1.3 as of December 31, 2019 to 1.5 as of December 31, 2020, which was attributable to the increase in bank and cash balances from RMB445.2 million as of December 31, 2019 to RMB1,693.3 million as of December 31, 2020. The Group received proceeds from issuance of capital of RMB4,810.8 million.

Quick ratio

The quick ratio increased from 0.9 in 2019 to 1.3 in 2020, increased to 1.7 in 2021 and decreased to 1.3 as of March 31, 2022. The trend of our quick ratio was in line with the current ratio as disclosed above.

FINANCIAL INFORMATION

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency Risk

Our business is principally located in the PRC and our transactions are mainly settled in Renminbi. Most of our assets and liabilities were denominated in RMB, except for certain bank balances denominated in U.S. dollars and other foreign currencies as disclosed in note 6(a) in the Accountants' Report in Appendix I to this prospectus. Our assets and liabilities denominated in U.S. dollars were mainly incurred from sales to and procurement from overseas companies outside PRC which had U.S. dollars as their functional currency, and we did not have material foreign currency transactions in PRC during the Track Record Period. Therefore, we did not have material foreign currency risks during the Track Record Period.

Interest Rate Risk

Our exposure to interest-rate risk mainly arises from its bank deposits and bank borrowings. These deposits and borrowings bear interests at variable rate varied with the then prevailing market condition.

Please see note 6(d) in Appendix I to this prospectus for further details.

Credit Risk

We are exposed to credit risk from our operating activities (primarily trade receivables) and from our financing activities, including deposits with banks and financial institutions, and other financial instruments. Our exposure to credit risk arising from cash and cash equivalents and restricted bank balances is limited because the counterparties are banks and financial institutions with high credit-rating assigned by international credit-rating agencies, for which we consider to have low credit risk. For further details for our credit risk please see note 6(b) to the Accountants' Report in Appendix I to this prospectus.

Liquidity Risk

We monitor our exposure to a shortage of funds by considering the maturity of both our financial liabilities and financial assets and projected cash flows from operations. Our policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. For further details for our liquidity risk please see note 6(c) to the Accountants' Report in Appendix I to this prospectus.

FINANCIAL INFORMATION

RELATED PARTY TRANSACTIONS AND BALANCES

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family member are also considered as related parties. For a detailed related party transactions, see notes 30 and 51 to the Accountants' Report in Appendix I to this prospectus. Our amounts due from related parties of non-trade nature will be fully settled before Listing as such amounts mainly consist of deposits paid to Dongli New Energy Technology for acquisition of property, plant and equipment, consideration receivables from Jincheng Technology and other receivables from Luoyang Company for disposal of property, plant and equipment. Our amounts due to related parties of non-trade nature, details of which are set out in the table below, will not be fully settled before Listing as such amounts are recurring in nature, mainly consisting of construction payables, rental payables and rental deposits received, etc.

The table below sets forth the non-trade balances due to related parties of our Company as of December 31, 2021 and March 31, 2022 respectively:

	As of December 31, 2021 RMB'000	As of March 31, 2022 RMB'000
Luoyang Company	12,890	3,317
Huake Engineering	160	150
Jiangsu Chengdong Construction	9,814	35,410
	<u>22,864</u>	<u>38,877</u>

As of the Latest Practicable Date, the respective amount due to Luoyang Company and Huake Engineering had been fully settled. As regards the amount due to Jiangsu Chengdong Construction, it comprised (i) the rent payable by our Group to Dongli New Energy Technology (being a wholly-owned subsidiary of Jiangsu Chengdong Construction) under the lease and purchase agreement entered into between Jiangsu Chengdong Construction and Jiangsu Research Institute on March 31, 2020 and real estate ownership purchase agreement entered into between Jiangsu Chengdong Construction, Jiangsu Research Institute and Dongli New Energy Technology on May 20, 2022, which is expected to be settled prior to Listing; and (ii) the service fees payable to Jiangsu Chengdong Construction in respect of the services provided by Jiangsu Chengdong Construction to our Group, including the general contracting services of design, procurement and construction of our Group's certain industrial parks or building under the various general contracting agreements for construction projects. Please refer to "Connected Transactions" in this prospectus for further details of the aforesaid two transactions.

FINANCIAL INFORMATION

We also received the financial guarantees from Jinyuan Investment to Xiamen Company to guarantee the payment obligation of 80% principal amount of loans. The guarantee period of Jinyuan Investment took effective from the date of entering into the guarantee agreement to three years after the expiration of repayment obligation by Xiamen Company under the loan agreement. The financial guarantees will not be released before the Listing. Further details of the financial guarantees are set out in the “Connected Transactions – Fully-exempt Continuing Connected Transaction” of this prospectus.

Our Group had the following material transactions with its related parties during the Track Record Period:

	Year ended 31 December			Three months ended	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)				
Revenue from sales of goods to					
– CALB USA	28,858	41,202	51,650	27,208	–
– Luoyang Company	117,392	–	32,640	–	3,229
Entrusted processing services from					
– Luoyang Company	–	–	206,704	–	690,544
Purchase of goods and services from					
– Luoyang Company	–	–	49,454	–	9,575
Purchase of intangible assets from					
– Luoyang Company	–	–	323,921	–	–
Purchase of property, plant and equipment from					
– Luoyang Company	–	–	12,887	–	–
Disposal of property, plant and equipment to					
– Luoyang Company	–	–	88,422	–	–
Proceeds from disposal of 51% equity interest in Luoyang Company to					
– Jincheng Technology	–	–	1,132,200	–	–
Rental fee income from					
– Huake Engineering	–	–	3,793	–	–
Rental fee charged by					
– Huake Engineering	18,088	28,589	137	–	–
– Jiangsu Chengdong Construction	–	979	5,872	1,468	1,468

FINANCIAL INFORMATION

	Year ended 31 December			Three months ended	
	2019	2020	2021	31 March 2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Interest expenses on loans					
from related parties					
– Jinsha Capital					
Management	3,543	1,112	–	–	–
– Jinsha Investment	7,908	6,825	–	–	–
– Jintan Hualuogeng	3,143	–	–	–	–
Construction fees charged by					
– Jiangsu Chengdong					
Construction	–	–	1,058,911	114,220	160,612
– Jiangsu Chengdong					
Information	–	–	398	–	–
	<u>–</u>	<u>–</u>	<u>398</u>	<u>–</u>	<u>–</u>

In December 2021, Luoyang Company had caused its trade receivables due from external customers of approximately RMB188,907,000 being novated to our Group for the same amount of trade payables owed to our Group by Luoyang Company. After the novation, our Group shall collect the trade receivables directly from those original external customers of Luoyang Company. The abovementioned novated trade receivables are included in the amounts disclosed in note 28 to the Accountants' Report in Appendix I to this prospectus.

During the Track Record Period, we sold ESS products to CALB USA, which was an associate of our Group for the period from July 1, 2019 to November 8, 2021. CALB USA ceased to an associate of our Group after the disposal of Luoyang Company but was still a connected party to our Group.

During the Track Record Period, our Group had the following material transactions with Luoyang Company:

- revenue from sales of goods to Luoyang Company, which was primarily derived from the sales of raw materials and products to Luoyang Company before the acquisition as of July 1, 2019 and after the disposal as of November 8, 2021.
- Entrusted processing services provided by Luoyang Company, which is also a continuing connected transaction.
- Purchase of intangible assets from Luoyang Company, which was primarily derived from the sales of patents to the Group after the disposal.
- Disposal of property, plant and equipment to Luoyang Company after the disposal.

In November 2021, our Group disposed 51% equity interest in Luoyang Company to Jincheng Technology at a consideration of RMB1,132.2 million.

FINANCIAL INFORMATION

During the Track Record Period, our Group engaged Jiangsu Chengdong Construction to construct a production base and a laboratory building at Changzhou.

DIVIDEND POLICY

We did not pay or declare any dividends during the Track Record Period. We currently do not have a pre-determined dividend payout ratio. The Board may declare and our Company may pay dividend after taking into account our results of operations, financial condition, operational and capital expenditure requirements, future business development strategies and estimates and other factors that may be deemed as relevant.

DISTRIBUTABLE RESERVES

As of December 31, 2019, 2020 and 2021 and March 31, 2022, we had no reserves available for distribution.

NO MATERIAL ADVERSE CHANGE

After due and careful consideration, our Directors confirm that, up to the date of this prospectus, there has not been any material adverse change in our financial or trading position or prospects since March 31, 2022, and there is no event since March 31, 2022 which would materially affect the data shown in the Accountants' Report set out in Appendix I to this prospectus.

LISTING EXPENSES

Listing expenses represent professional fees, underwriting commissions and other fees incurred in connection with the Global Offering. We incurred listing expenses of HK\$29.7 million for the year ended December 31, 2021 and the three months ended March 31, 2022. We expect to incur additional listing expenses of approximately HK\$239.9 million (assuming the Overallotment Option is not exercised and based on the Offer Price of HK\$44.5 per Offer Share, being the mid-point of the Offer Price range). The listing expenses we incurred in the Track Record Period and expect to incur would consist of approximately HK\$213.9 million underwriting related expenses and fees (including underwriting commissions, SFC transaction levy, Stock Exchange trading fee and FRC transaction levy), and approximately HK\$55.7 million non-underwriting-related expenses and fees including fee for the Sole Sponsor, legal advisors and reporting accountant of HK\$42.8 million and other non-underwriting-related fees and expenses of HK\$12.9 million. Among the total listing expenses which we expect to incur, approximately HK\$2.7 million is expected to be charged to profit or loss, and approximately HK\$266.9 million is directly attributable to the issue of Shares and will be deducted from equity upon the Listing. Our total listing expenses are estimated to account for 2.3% of the gross proceeds of the Global Offering (assuming the Overallotment Option is not exercised and based on the Offer Price of HK\$44.50 per Offer Share, being the mid-point of the Offer Price range). The listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Please see “Business – Our Strategies” for a detailed discussion of our future plans.

We estimate the net proceeds of the Global Offering which we will receive, assuming an Offer Price of HK\$44.50 per Offer Share (being the mid-point of the Offer Price range stated in the Prospectus), will be approximately HK\$11,560.5 million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering and assuming the Over-allotment Option is not exercised.

USE OF PROCEEDS

In accordance with our strategy, we plan to use the proceeds for the following intended purposes in the amounts set forth below:

- Approximately 80.0% of the proceeds (approximately HK\$9,248.3 million) will be used as partial expenditures for the construction of production lines of EV battery and ESS of totally 95GWh for our new production facilities at Chengdu Project Phase I, Wuhan Project Phase II, Hefei Project Phase I and Phase II, Guangdong Jiangmen Project Phase I and Sichuan Meishan Project^{Note}. The main expenses include the funds required for the construction of the plant, the purchase of major production equipment, and other pre-construction preparation and trial production input in relation to the projects, of which:
 - i. approximately 17.5% of the proceeds (approximately HK\$2,023.1 million) will be used to pay partial expenses for the construction of the Chengdu Project Phase I. The main expenses include the funds required for the construction of the plant, the purchase of major production equipment, and other pre-construction preparation and trial production input in relation to the project. Further information on each usage is set out below:
 - A. Payment for construction costs such as plant: 8.0% of the net proceeds from the Global Offering, or HK\$924.8 million, will be used to finance the construction costs of certain plants, ancillary production facilities and warehouse.
 - B. Purchase of production machine and equipment and installment of facilities: 8.0% of the net proceeds from the Global Offering, or HK\$924.8 million, will be used to purchase and install production machine and intelligent control system and equipment.

Note: We have obtained the real estate ownership certificates or entered into the relevant land grant contracts regarding the aforesaid new production facilities (as applicable), and all relevant land costs have been settled through our internal financial resources (other than from the proceeds from this Global Offering). Each aforesaid project base has one plant as a whole.

FUTURE PLANS AND USE OF PROCEEDS

- C. Other pre-construction preparation and trial production input: 1.5% of the net proceeds from Global Offering, or HK\$173.4 million, will be used for preliminary resource preparation and accumulation, expenses of preparation and trial development of technology, joint commissioning costs, and trial production costs.

- ii. approximately 13.0% of the proceeds (approximately HK\$1,502.8 million) will be used to pay partial expenses for the construction of the Wuhan Project Phase II. The main expenses include the funds required for the construction of the plant, the purchase of major production equipment, and other pre-construction preparation and trial production inputs in relation to the project. Further information on each usage is set out below:
 - A. Payment for construction costs such as plant: 6.0% of the net proceeds from Global Offering, or HK\$693.6 million, will be used to finance the construction of certain plants, ancillary production facilities and warehouse.
 - B. Purchase of production machine and equipment and installment of facilities: 6.5% of the net proceeds from Global Offering, or HK\$751.4 million, will be used to purchase and install production machine and intelligent control system and equipment.
 - C. Other pre-construction preparation and trial production input: 0.5% of the net proceeds from Global Offering, or HK\$57.8 million, will be used for preliminary resource preparation and accumulation, expenses of preparation and trial development of technology, joint commissioning costs, and trial production costs.

- iii. approximately 9.5% of the proceeds (approximately HK\$1,098.2 million) will be used to pay partial expenses for the construction of the Hefei Project Phase I and Phase II. The main expenses include the funds required for the construction of the plant, the purchase of major production equipment, and other pre-construction preparation and trial production input in relation to the project. Further information on each usage is set out below:
 - A. Payment for construction costs such as plant: 4.5% of the net proceeds from Global Offering, or HK\$520.2 million, will be used to finance the construction of certain plants, supporting production facilities and warehouse.
 - B. Purchase of production machine and equipment and installment of facilities: 4.5% of the net proceeds from Global Offering, or HK\$520.2 million, will be used to purchase and install production machine and intelligent control system and equipment.

FUTURE PLANS AND USE OF PROCEEDS

- C. Other pre-construction preparation and trial production input: 0.5% of the net proceeds from Global Offering, or HK\$57.8 million, will be used for preliminary resource preparation and accumulation, expenses of preparation and trial development of technology, joint commissioning costs, and trial production costs.

- iv. approximately 20.0% of the proceeds (approximately HK\$2,312.1 million) will be used to pay partial expenses for the construction of the Guangdong Jiangmen Project Phase I. The main expenses include the funds required for the construction of the plant, the purchase of major production equipment, and other pre-construction preparation and trial production input in relation to the project. Further information on each usage is set out below:
 - A. Payment for construction costs such as plant: 7.5% of the net proceeds from Global Offering, or HK\$867.0 million, will be used to finance the construction of certain plants, ancillary production facilities and warehouse.
 - B. Purchase of production machine and equipment and installment of facilities: 11.5% of the net proceeds from Global Offering, or HK\$1,329.5 million, will be used to purchase and install production machine and intelligent control system and equipment.
 - C. Other pre-construction preparation and trial production input: 1.0% of the net proceeds from Global Offering, or HK\$115.6 million, will be used for preliminary resource preparation and accumulation, expenses of preparation and trial development of technology, joint commissioning costs, and trial production costs.

- v. approximately 20.0% of the proceeds (approximately HK\$2,312.1 million) will be used to pay partial expenses for the construction of the Sichuan Meishan Project. The main expenses include the funds required for the construction of the plant, the purchase of major production equipment, and other pre-construction preparation and trial production input in relation to the project. Further information on each usage is set out below:
 - A. Payment for construction costs such as plant: 8.5% of the net proceeds from Global Offering, or HK\$982.6 million, will be used to finance the construction of certain plants, ancillary production facilities and warehouse.
 - B. Purchase of production machine and equipment and installment of facilities: 10.0% of the net proceeds from Global Offering, or HK\$1,156.1 million, will be used to purchase and install production machine and intelligent control system and equipment.

FUTURE PLANS AND USE OF PROCEEDS

- C. Other pre-construction preparation and trial production input: 1.5% of the net proceeds from Global Offering, or HK\$173.4 million, will be used for preliminary resource preparation and accumulation, expenses of preparation and trial development of technology, joint commissioning costs, and trial production costs.

We estimate that the total investment amount of the below five production bases under construction/expansion will be RMB45,000 million, of which RMB8,166 million will be raised from investment fund and RMB36,834 million will be from other sources, including capital contribution and project loans. The specific allocation is shown in the following table:

Project	Products to be produced ^{Note 2}	Planned production capacity (GWh)	Total investment amount of the project (in RMB million)	Investment fund used in this project (in RMB million)			From other sources ^{Note 1}
				2022	2023	Subtotal	(in RMB million)
							Subtotal
Chengdu Project Phase I	EV battery and ESS	20	10,000	715	1,072	1,786	8,214
Wuhan Project Phase II	EV battery and ESS	10	5,000	530	796	1,326	3,674
Hefei Project Phase I and Phase II	EV battery and ESS	20	10,000	388	582	970	9,030
Guangdong Jiangmen Project Phase I	EV battery and ESS	25	10,000	817	1,225	2,042	7,958
Sichuan Meishan Project	EV battery and ESS	20	10,000	817	1,225	2,042	7,958
Subtotal		95	45,000	3,267	4,899	8,166	36,834

Note 1: Include capital contribution and project loans.

Note 2: Each production base will have the capability to produce ternary battery and LFP battery.

We expect our effective production capacity will be expanded to approximately 35GWh^{Note} and approximately 90GWh^{Note} in 2022 and 2023, respectively.

We believe that the production capacity of our existing production bases and building new production bases and facilities will help improve our economies of scale, support our business expansion and continue to drive the development of battery industry. We expect that the EV battery market and ESS market will continue to grow rapidly, in particular the EV battery market for NEVs. According to Frost & Sullivan, following the continuous growth of global NEV market, the global EV battery installed capacity is expected to grow at a CAGR of 33.8% from 2022 to 2026 and reach 1,386.7 GWh in 2026. Among them, China EV battery market will keep growing. The EV battery installed capacity is expected to reach 762.0 GWh in 2026.

Note: Including 5GWh effective production capacity of the Luoyang Company under the entrusted processing arrangement if such entrustment arrangement is adopted.

FUTURE PLANS AND USE OF PROCEEDS

In light of the above trend, we are in a competitive position to capture the business opportunities from growing market demand for EV battery market and ESS product market on the following basis: (i) in terms of installed capacity for the three months ended March 31, 2022, we ranked second in China among third-party EV battery companies¹, with a market share of 8.2%, according to Frost & Sullivan; and (ii) we have scaled operation and possess advanced R&D capabilities. During the Track Record Period, we have established stable business relationships with leading NEV manufacturers in China, with the number of new customers (except for Customer G) in the passenger vehicle segment increasing from three in 2019 to 18 in 2021. Meanwhile, our sales volume of EV battery products increased from 1.62GWh in 2019 to 9.31GWh in 2021, representing a CAGR of 139.7% from 2019 to 2021.

In view of the above, the market demand for our products will continue to grow rapidly. Therefore, we believe it is crucial to expand our production capacity and establish new production bases.

We determine the investment amount in the above-mentioned new/expanded production bases based on the feasibility study report issued by third-parties, while taking into account the planned production capacity, the construction of land and plants, the procurement of production facilities and other factors. Considering that we are mainly engaged in the production of EV battery and ESS products, quality and reliable production equipment with stable performance is very important to us, so we actively invest in the purchase of production machines and equipment and installation of facilities. Our Directors believed that the construction of factories and the purchase of production machinery and equipment is necessary in (i) providing quality services to more customers and achieve greater economies of scale; (ii) meeting the increasing market demand for our products and promote the power battery industry development; and (iii) giving us the opportunity to actually make a greater contribution to the achievement of carbon peaking and carbon neutrality. For more details on our need for production facility expansion, please see section headed “Business – Our Strategies – Scaling-up strategy – Production facility expansion plan” in this document.

As for our investment, we consider (but not limited to) the following factors: return on investment, future growth potential and the level of synergies generated by the investment. In addition, we face various risks when carrying out expansion in accordance with our plans, such as market risks related to capacity expansion, operational risks, and policy risks in the location where we operate. To mitigate risks, our management team plans to expand the breadth and depth of customers, strengthen long-term strategic cooperation with raw material suppliers, and pay close attention to local policy changes. In addition, in calculating the expected return on our investments, we make assumptions based on our understanding of the relevant market. The assumptions we use in our feasibility studies and market analysis may not be completely accurate, and our investments may not produce the expected results. We will continue to monitor market and regulatory conditions in markets and jurisdictions in which we may enter and adjust our plans and expectations accordingly.

¹ Third-party EV battery companies indicate those companies who do not engage in vehicle manufacturing and the EV battery products are mainly sold to external customers instead of their own brand of vehicles.

FUTURE PLANS AND USE OF PROCEEDS

- Approximately 10.0% of the proceeds (approximately HK\$1,156.1 million) will be used for R&D of advanced technologies to maintain our technological leadership in batteries and its production process, which include:
 - i approximately 5.6% (approximately HK\$647.4 million) will be used for the development of core technologies for advanced materials, advanced batteries and battery lifespan management, as follows:
 - A. development of core technologies for high-performance battery system products and battery life management: accounting for 4.2% of the net proceeds from the Global Offering, or HK\$485.5 million, including:
 - a. development of high specific energy and high safety-standard battery system products and key technologies.
 - b. development of fast rechargeable and long-life battery system products and key technologies, develop ultra-fast rechargeable battery products that is expected to achieve an energy density of over 260Wh/kg with 10-minute recharge capacity.
 - c. development of all-climate battery system products and key technologies.
 - d. development of key technologies for smart battery management system and battery health diagnosis.
 - e. development of key technologies for battery reuse and recycling.
 - B. research and development of new batteries and key materials, including research and development of solid-state batteries and lithium-sulfur batteries and key materials: accounting for 1.4% of the net proceeds from the Global Offering, or HK\$161.8 million.

The investments described above aims at improving the safety, energy density and stability of our battery products, which will increase our product sales and revenue, further enhance our competitiveness, and allow us to lead the rapid technological transformation of the industry. Our investment in the research and development of advanced technologies is a future-oriented investment, which lays a solid foundation for the iterative upgrade of our technologies, the continuous release of production capacity and the rapid growth of our business. We will use the above investment in advanced technology development to facilitate faster product development iterations and continue to be at the forefront of power battery technology development and product innovation.

FUTURE PLANS AND USE OF PROCEEDS

ii approximately 4.4% (approximately HK\$508.7 million) will be used for experiments, pilot capacity building and advanced manufacturing technology development, as follows:

- A. research and development of key technologies of intelligent manufacturing, including research and development of high-speed equipment and process technologies and intelligent factory core technologies: accounting for 1.7% of the net proceeds from the Global Offering, or HK\$196.5 million.
- B. building of experimental and pilot capacity, including construction of R&D laboratory and trial production line: accounting for 2.7% of the net proceeds from the Global Offering, or HK\$312.1 million.

The above investment aims to research and develop advanced manufacturing technologies to continuously optimize the production process and reduce potential quality control risks, improving the quality of the products and services provided to our customers to increase the sales and revenue of our products, ensuring that we will continue to introduce quality products to the market.

- Approximately 10.0% of the proceeds (approximately HK\$1,156.1 million) will be used for working capital and general corporate purposes.

If the Offer Price is fixed at HK\$51.0 per Offer Share (being the high end of the Offer Price range stated in this prospectus), we will receive additional net proceeds of approximately HK\$1,696.8 million, assuming the Over-allotment Option is not exercised. If the Offer Price is fixed at HK\$38.0 per Offer Share (being the low end of the Offer Price range stated in this prospectus), the net proceeds we receive will be reduced by approximately HK\$1,696.8 million, assuming the Over-allotment Option is not exercised. The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the midpoint of the estimated Offer Price range.

In the event that the Over-allotment Option is exercised in full, the additional net proceeds that we would receive would be HK\$1,626.3 million (assuming an Offer Price of HK\$44.5 per Share, being the mid-point of the Offer Price range stated in the Prospectus). Additional net proceeds received due to the exercise of any Over-allotment Option will be used for the above purposes accordingly on a pro rata basis if the Over-allotment Option is exercised.

To the extent that the net proceeds are not immediately applied to the above purposes, we will only deposit the net proceeds as short-term interest-bearing deposits with licensed commercial banks and/or authorized financial institutions in Hong Kong and the PRC (as defined under the SFO, the Law of the People's Republic of China on Commercial Banks (中華人民共和國商業銀行法) and other relevant laws in the PRC).

UNDERWRITING

HONG KONG UNDERWRITERS

Huatai Financial Holdings (Hong Kong) Limited
J.P. Morgan Securities (Asia Pacific) Limited
Citigroup Global Markets Asia Limited
Credit Suisse (Hong Kong) Limited
Futu Securities International (Hong Kong) Limited

UNDERWRITING ARRANGEMENTS

Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on September 22, 2022. Pursuant to the Hong Kong Underwriting Agreement, we are offering 13,292,300 Hong Kong Offer Shares (subject to reallocation) for subscription by the public in Hong Kong on the terms and subject to the conditions in this prospectus and the **GREEN** Application Form at the Offer Price.

Subject to the Listing Committee granting approval for the listing of, and permission to deal in, our H Shares to be issued pursuant to the Global Offering (including any additional H Shares which may be issued pursuant to the exercise of the Over-allotment Option) as mentioned in this prospectus and certain other conditions set out in the Hong Kong Underwriting Agreement (including, amongst others, the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters as applicable) and our Company, agreeing upon the Offer Price), the Hong Kong Underwriters have agreed, severally but not jointly, to subscribe, or procure subscribers to subscribe, for the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering on the terms and subject to the conditions set out in this prospectus, the **GREEN** Application Form and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, amongst other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

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Grounds for Termination

The Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters as applicable) may, in their sole and absolute discretion and upon giving notice in writing to our Company, terminate the Hong Kong Underwriting Agreement with immediate effect, if at any time prior to 8:00 a.m. on the Listing Date:

- (1) there develops, occurs, exists or comes into force:
 - (a) any new law or regulation or any change or development involving a prospective change in existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the PRC, the United States, the United Kingdom, the European Union (or any member thereof) or Japan (each a “**Relevant Jurisdiction**”); or
 - (b) any change or development involving a prospective change or development, or any event or series of events likely to result in or representing a change or development, or prospective change or development, in local, national, regional or international financial, political, military, industrial, economic, currency market, fiscal or regulatory or market conditions or any monetary or trading settlement system (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a change of the Hong Kong dollars or of the Renminbi against any foreign currencies) in or affecting any Relevant Jurisdiction; or
 - (c) any event or series of events, whether in continuation, or circumstances in the nature of force majeure (including, without limitation, acts of government, labor disputes, strikes, lock-outs, fire, explosion, earthquake, flooding, tsunami, volcanic eruption, civil commotion, riots, rebellion, public disorder, acts of war (whether declared or undeclared), acts of terrorism (whether or not responsibility has been claimed), acts of God, accident or interruption in transportation, destruction of power plant, outbreak, escalation, mutation, aggravation of diseases or epidemics or pandemics including, but not limited to, SARS, swine or avian flu, H5N1, H1N1, H1N7, H7N9, Ebola virus, Middle East respiratory syndrome (MERS), COVID-19, and such related/mutated forms, economic sanction, any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in whatever form) political change, paralysis of government operations, interruption or delay in transportation, other industry action in or directly or indirectly affecting any Relevant Jurisdiction; or

UNDERWRITING

- (d) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities of generally on the Hong Kong Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Singapore Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or
- (e) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent governmental authority), New York (imposed at Federal or New York State level or other competent governmental authority), London, the PRC, the European Union (or any member thereof), Japan or any Relevant Jurisdiction or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any Relevant Jurisdiction; or
- (f) any (A) change or prospective change in exchange controls, currency exchange rates or foreign investment regulations (including, without limitation, a change of the Hong Kong dollars or RMB against any foreign currencies, a change in the system under which the value of the Hong Kong dollars is linked to that of the United States dollars or RMB is linked to any foreign currency or currencies), or (B) any change or prospective change in taxation in any Relevant Jurisdiction adversely affecting an investment in the H Shares; or
- (g) the issue or requirement to issue by our Company of a supplemental or amendment to the prospectus, **GREEN** Application Form, preliminary offering circular or offering circular or other documents in connection with the offer and sale of the H Shares pursuant to the Companies Ordinance or the Listing Rules or upon any requirement or request of the Hong Kong Stock Exchange or the SFC; or
- (h) any litigation or claim being threatened or instigated against any member of the Group, any Director; or
- (i) any contravention by any member of the Group, any Director of the Companies Ordinance, the PRC Company Law or the Listing Rules; or
- (j) any executive Directors, the chief executive officer or the chief finance Officer of the Company vacating his office; or
- (k) a governmental authority or a regulatory body or organization in any Relevant Jurisdiction commencing any investigation or other action or proceedings, or announcing an intention to investigate or take other action or proceedings, against any member of the Group or any Director; or

UNDERWRITING

- (l) any litigation or claim being threatened or instigated against, or a governmental authority or a regulatory body or organisation in any Relevant Jurisdiction commencing any investigation or action or other proceedings, or announcing an intention to investigate or take other action or proceedings against any member of the Group or any of the chairman, president or the Director of our Company, or any of them being charged with an indictable offence or prohibited by operation of Laws or otherwise disqualified from taking part in the management of a company or the commencement by any governmental, political, regulatory body of any action against any Director or any announcement by any governmental, political, regulatory body that it intends to take any such action; or
- (m) any material adverse change or prospective material adverse change in the earnings, results of operations, business, business prospects, financial or trading position, conditions (financial or otherwise) or prospects of any member of the Group (including any litigation or claim of any third party being threatened or instigated against any member of the Group); or
- (n) any order or petition for, or any demand by creditors for repayment of indebtedness or a petition being presented for the winding-up or liquidation of any member of the Group, or any member of the Group making any composition or arrangement with its creditors or entering into a scheme of arrangement or any resolution being passed for the winding-up of any member of the Group or a provisional liquidator, receiver or manager being appointed over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurs in respect of any member of the Group; or
- (o) a prohibition on our Company for whatever reason from allotting, issuing or selling the H Shares (including the Over-allotment Option Shares (if any)) pursuant to the terms of the Global Offering; or
- (p) the imposition of sanctions, in whatever form, directly or indirectly, by, or for, any Relevant Jurisdiction on our Company or any member of the Group; or

which, in any such case individually or in the aggregate, in the sole and absolute opinion of the Sole Sponsor and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters, as applicable): (A) is or will be or may be materially adverse to, or materially and prejudicially affects, the assets, liabilities, business, general affairs, management, shareholder's equity, profit, losses, results of operations, position or condition (financial or otherwise), or prospects of our Company or the Group as a whole or to any present or prospective shareholder of our Company in its capacity as such; or (B) has or will have or may have a material adverse effect on the success of the Global Offering or the level of Offer Shares being applied for or accepted or subscribed for or purchased or the distribution of Offer Shares and/or has made or is likely to make or may make it impracticable or inadvisable or incapable for any material part of the Hong Kong Underwriting

UNDERWRITING

Agreement, the Hong Kong Public Offering or the Global Offering to be performed or implemented as envisaged; or (C) makes or will make it or may make it impracticable or inadvisable or incapable to proceed with the Hong Kong Public Offering and/or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus, the **GREEN** Application Form, the formal notice, the preliminary offering circular or the offering circular; or (D) would have or may have the effect of making a part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

- (2) there has come to the notice of the Sole Sponsor, and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters, as applicable):
 - (a) that any statement contained in the offering documents, the operative documents, the preliminary offering circular and/or any notices, announcements, advertisements, communications issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was or has become untrue, incomplete, incorrect or misleading or any forecasts, estimate, expressions of opinion, intention or expectation expressed in the Hong Kong Public Offering documents and/or any notices, announcements, advertisements, communications so issued or used are not fair and honest and made on reasonable grounds or, where appropriate, based on reasonable assumptions, when taken as a whole; or
 - (b) any contravention by any Group member or any Director of any law; or
 - (c) non-compliance of this prospectus (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable law; or
 - (d) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of the offering documents, not having been disclosed in this prospectus, constitutes an omission therefrom; or
 - (e) either (i) there has been a breach of any of the representations, warranties, undertakings or provisions of either the Hong Kong Underwriting Agreement or the International Underwriting Agreement by our Company or (ii) any of the representations, warranties and undertakings given by our Company in the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable, is (or would when repeated be) untrue, incorrect, incomplete or misleading; or

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- (f) any event, act or omission which gives or is likely to give rise to any material liability of our Company pursuant to the indemnities given by our Company under the Hong Kong Underwriting Agreement; or
- (g) any litigation or dispute or potential litigation or dispute, which would affect the operation, financial condition, reputation or composition of the board of the Group; or
- (h) any material breach of any of the obligations of our Company under the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or
- (i) any breach of, or any event rendering any of the Warranties untrue or incorrect or misleading in any respect; or
- (j) a significant portion of the orders in the bookbuilding process at the time of the International Underwriting Agreement is entered into, or the investment commitments by any cornerstone investors after signing of agreements with such cornerstone investors, have been withdrawn, terminated or cancelled; or
- (k) any expert, whose consent is required for the issue of the Prospectus with the inclusion of its reports, letters or opinions and references to its name included in the form and context in which it respectively appears, has withdrawn its respective consent (other than the Sole Sponsor) prior to the issue of the Prospectus; or
- (l) any adverse change or prospective adverse change or development involving a prospective adverse change in the assets, business, general affairs, management, shareholder's equity, profits, losses, properties, results of operations, in the position or condition (financial or otherwise) or prospects of the Company and its subsidiaries, as a whole; or
- (m) Admission is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the Admission is subsequently withdrawn, cancelled, qualified (other than by customary conditions), revoked or withheld; or
- (n) the Company has withdrawn the Offering Documents (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or
- (o) then the Sole Sponsor and the Overall Coordinators may (for themselves and on behalf of the Hong Kong Underwriters and the Capital Market Intermediaries), in their sole and absolute discretion and upon giving notice orally or in writing to our Company, terminate the Hong Kong Underwriting Agreement with immediate effect.

UNDERWRITING

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by the Jintan Group

Pursuant to Rule 10.07 of the Listing Rules, each member of the Jintan Group has undertaken to the Stock Exchange and to us that, except pursuant to the Global Offering (including the Over-allotment Option), it will not, and shall procure that none of its close associates will, without the prior written consent of the Stock Exchange or unless otherwise permitted under the Listing Rules that at any time in the period commencing on the date by reference to which disclosure of its shareholding is made in this prospectus and ending on the date which is six months from the Listing Date (the “**Lock-up Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the H Shares in respect of which it is shown by this prospectus to be the beneficial owner, provided that the above shall not prevent each member of the Jintan Group using securities of the Company beneficially owned by each of them as security (including a charge or a pledge) in favor of an authorized institution (as defined in the Banking Ordinance) for a bona fide commercial loan.

Note 2 to Rule 10.07(2) of the Listing Rules provides that Rule 10.07 does not prevent any member of the Jintan Group from using the H Shares beneficially owned by it as security (including a charge or pledge) in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan.

Further, pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each member of the Jintan Group has undertaken to the Stock Exchange and to us that, within the period commencing on the date by reference to which disclosure of its shareholding is made in this prospectus and ending on the date which is 6 months from the Listing Date:

- (a) when it pledges or charges any H Shares beneficially owned by it in favor of an authorized institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan, immediately inform us and the Stock Exchange of such pledge or charge together with the number of H Shares so pledged or charged; and
- (b) when it receives indications, either verbal or written, from the pledgee or charge that any of the pledged or charged H Shares will be disposed of, immediately inform us and the Stock Exchange of such indications;

We will inform the Stock Exchange as soon as we have been informed of the above matters, if any, by Jintan Group and disclose such matters as soon as possible after being so informed.

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Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Hong Kong Stock Exchange that we will not issue any further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) or form the subject of any agreement to such issue within six months from date on which our H Shares first commence dealing on the Hong Kong Stock Exchange (whether or not such issue of H Shares or securities will be completed within six months from the commencement of dealing), except for:

- (a) the issue of shares, the listing of which has been approved by the Stock Exchange, pursuant to a share option scheme under Chapter 17 of the Listing Rules;
- (b) any capitalization issue, capital reduction or consolidation or sub-division of H Shares;
- (c) issue of H Shares or securities pursuant to the Global Offering (including any exercise of the Over-Allotment Option); and
- (d) any other applicable circumstances provided under Rule 10.08 of the Listing Rules.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by the Company

Pursuant to the Hong Kong Underwriting Agreement, our Company has undertaken to each of the Sole Sponsor, the Joint Global Coordinators, the Overall Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries and the Hong Kong Underwriters that, except pursuant to the Global Offering (including pursuant to the Over-allotment Option (if any)), during the period commencing after the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the “**First Six-Month Period**”), the Company will not, without the prior written consent of the Sole Sponsor and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters as applicable) and unless in compliance with the requirements of the Listing Rules:

- (i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, assign, mortgage, charge, pledge, assign, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, or repurchase, any legal or beneficial interest in the share capital or any other equity securities of our Company, or any H Shares or other equity securities, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represents the right to receive, or any warrants or other rights to purchase any share capital or other equity securities of our Company), or deposit any share capital or other equity securities of our Company, with a depositary in connection with the issue of depositary receipts; or

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- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of the H Shares or any other equity securities of our Company, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any H Shares or any other equity securities of the Company); or
- (iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above; or
- (iv) offer to or agree to do any of the foregoing or announce any intention to do so, in each case, whether any of the foregoing transactions is to be settled by delivery of share capital or such other equity securities, in cash or otherwise (whether or not the issue of such share capital or other equity securities will be completed within the First Six Month Period). Our Company further agrees that, in the event our Company is allowed to enter into any of the transactions described in Clause (i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction during the period of six months commencing on the date on which the First Six Month Period expires (the “**Second Six Month Period**”), it will take all reasonable steps to ensure that such an issue or disposal will not, and no other act of the Company will, create a disorderly or false market for any H Shares or other securities of our Company.

Indemnity

The Company has agreed to indemnify the Sole Sponsor, the Joint Global Coordinators, the Overall Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries for certain losses which they may suffer, including, among other matters, losses incurred arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement, as the case may be.

Commission and Expenses and Sole Sponsor’ Fee

The Hong Kong Underwriters will receive an underwriting commission of 1.2% of the aggregate Offer Price payable for the Hong Kong Offer Shares offered under the Hong Kong Public Offering (excluding any Hong Kong Offer Shares reallocated to the International Offering) while the International Underwriters are expected to receive an underwriting commission of 1.2% of the aggregate Offer Price payable for the International Offer Shares offered under the International Offering, including Offer Shares to be issued pursuant to the Over-allotment Option (together with the underwriting commission in respect of Hong Kong Offer Shares, the “**Fixed Fees**”). For unsubscribed Hong Kong Offer Shares reallocated to the International Offering and International Offer Shares reallocated to the Hong Kong Public Offering, if any, our Company will pay an underwriting commission at the rate applicable to

UNDERWRITING

the International Offering as set out in the International Underwriting Agreement, and such commission will be paid to the Overall Coordinators (for themselves and on behalf of the International Underwriters as applicable), and no underwriting commission will be paid to the Hong Kong Underwriters for such reallocated Offer Shares. In addition, at the discretion of our Company, any one or more of the Underwriters may also receive an incentive fee of up to 0.6% of the aggregate Offer Price in respect of all Offer Shares (the “**Discretionary Fees**”). The ratio of Fixed Fees and Discretionary Fees (if fully paid) is therefore 2 :1.

Without taking into account any H Shares to be issued upon the exercise of the Over-allotment Option based on an Offer Price of HK\$44.50 (being the mid-point of the indicative Offer Price range stated in this prospectus), the aggregate commissions and fees, together with the Hong Kong Stock Exchange listing fees, the Hong Kong Stock Exchange trading fee of 0.005% per Offer Share, SFC transaction levy of 0.0027% per Offer Share, FRC transaction levy of 0.00015% per Offer Share, legal and other professional fees and printing and other expenses relating to the Global Offering, payable by us, are estimated to be approximately HK\$269.6 million, which is subject to adjustment to be agreed by our Company, the Overall Coordinators, the Joint Global Coordinators and other parties.

An aggregate amount of USD1.0 million is payable by our Company as sponsor fees to the Sole Sponsor.

Hong Kong Underwriters’ Interests in Our Company

Save for the obligations under the Hong Kong Underwriting Agreement and as disclosed in this prospectus, none of the Hong Kong Underwriters has any shareholding or beneficial interests in our Company or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in our Company.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the H Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

The International Offering

In connection with the International Offering, it is expected that we will enter into the International Underwriting Agreement with, among others, the Overall Coordinators and Joint Global Coordinators. Under the International Underwriting Agreement, it is expected that the International Underwriters would, subject to certain conditions set out therein, severally but not jointly, agree to procure purchasers for, or to purchase, the International Offer Shares being offered pursuant to the International Offering or procure purchasers for their respective applicable proportions of International Offer Shares. For details, please see section “Structure of the Global Offering – The International Offering”.

UNDERWRITING

Stabilization and Over-allotment Option

Details of the arrangements relating to the stabilization and Over-allotment Option are set forth in “Structure of the Global Offering – The International Offering – Stabilization” and “Structure of the Global Offering – The International Offering – Over-allotment Option.”

RESTRICTIONS ON THE OFFER SHARES

No action has been taken to permit a public offering of the Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Hong Kong Offer Shares have not been publicly offered or sold, directly or indirectly, in mainland China or the United States.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the “**Syndicate Members**”) and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments our Company and/or persons and entities having relationships with our Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with our Company’s loans and other debt.

In relation to the H Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the H Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the H Shares (which financing may be secured by the H Shares) in the Global Offering, proprietary trading in the H Shares, and entering into over-the-counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as

UNDERWRITING

derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the H Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the H Shares, which may have a negative impact on the trading price of the H Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the H Shares, in baskets of securities or indices including the H Shares, in units of funds that may purchase the H Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the H Shares as their underlying securities, whether on the Hong Kong Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the H Shares in most cases.

Such activities may affect the market price or value of the H Shares, the liquidity or trading volume in the H Shares and the volatility of the price of the H Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

- (a) the Hong Kong Public Offering of initially 13,292,300 Offer Shares (subject to reallocation) in Hong Kong as described below in the section “– The Hong Kong Public Offering”; and
- (b) the International Offering of initially 252,553,000 Offer Shares (subject to reallocation and the Over – allotment Option), consisting of the offering of H Shares outside the United States only in reliance on Regulation S.

The Offer Shares will represent approximately 15.0% of the enlarged registered capital of our Company immediately after the Global Offering (assuming no Over-allotment Option is exercised). If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 16.75% of the enlarged registered capital of our Company immediately after the Global Offering and the exercise of the Over-allotment Option, details of which is set out in the paragraph “– Global Offering – Over-allotment Option” below.

Investors may apply for Hong Kong Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest in International Offer Shares under the International Offering, but may not do both.

References in this prospectus to applications, the **GREEN** Application Form, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of H Shares Initially Offered

We are initially offering 13,292,300 Hong Kong Offer Shares, representing approximately 5% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price for subscription by the public in Hong Kong. Subject to the reallocation of H Shares between (i) the International Offering, and (ii) the Hong Kong Public Offering, the Hong Kong Offer Shares will represent approximately 0.75% of our Company’s issued share capital immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised).

Professional investors generally include brokers, dealers, companies of which the daily operations involve the trading of shares, securities companies (including fund managers) and entities regularly invest in shares and other securities.

STRUCTURE OF THE GLOBAL OFFERING

For conditions of completion of the Hong Kong Public Offering, please see section “– Conditions of the Hong Kong Public Offering”.

Allocation

Allocation of the Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) will be divided into two pools for allocation purposes (with any odd lots being allocated to Pool A):

Pool A: The Hong Kong Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with a total subscription price of HK\$5 million or less (excluding the brokerage, SFC transaction levy, the Hong Kong Stock Exchange trading fee and FRC transaction levy payable).

Pool B: The Hong Kong Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with a total subscription price of more than HK\$5 million and up to the total value of pool B (excluding the brokerage, SFC transaction levy, the Hong Kong Stock Exchange trading fee and FRC transaction levy payable).

For the purpose of this sub-section only, the “subscription price” for Hong Kong Offer Shares means the price payable on application (without regard to the Offer Price as finally determined).

Applicants should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If Hong Kong Offer Shares in one (but not both) of the two pools are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly.

Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B, but not from both pools. Multiple or suspected multiple applications and any application for more than 6,646,100 Hong Kong Offer Shares are liable to be rejected.

STRUCTURE OF THE GLOBAL OFFERING

Reallocation

The allocation of Offer Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. Paragraph 4.2 of Practice Note 18 of the Listing Rules and the Hong Kong Stock Exchange Guidance Letter HKEX–GL91-18 requires a clawback mechanism to be put in place, which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of Offer Shares to be offered in the Global Offering if the International Offering is fully subscribed or oversubscribed and certain prescribed total demand levels in the Hong Kong Public Offering are reached. An application has been made to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with paragraph 4.2 of Practice Note 18 of the Listing Rules such that, provided the initial allocation of Offer Shares under the Hong Kong Public Offering shall not be less than 5% of the Global Offering, in the event of oversubscription, the Overall Coordinators shall apply a clawback mechanism following the closing of the application lists on the following basis:

- (i) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 19,938,400 Offer Shares, representing approximately 7.5% of the Offer Shares initially available under the Global Offering;
- (ii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 26,584,600 Offer Shares, representing approximately 10% of the Offer Shares initially available under the Global Offering; and
- (iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more than the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 53,169,100 Offer Shares, representing approximately 20% of the Offer Shares initially available under the Global Offering.

STRUCTURE OF THE GLOBAL OFFERING

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Overall Coordinators deem appropriate.

In addition, the Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Overall Coordinators (for themselves and on behalf of the Underwriters as applicable). If the Hong Kong Public Offering is not fully subscribed for, the Overall Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Overall Coordinators deem appropriate. In addition to the reallocation mentioned in the foregoing paragraph which may be required, the Overall Coordinators (for themselves and on behalf of the Underwriters as applicable) may, at their discretion, reallocate Offer Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications in Pool A and Pool B under the Hong Kong Public Offering, in the event that (i) the International Offer Shares are undersubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed irrespective of the number of times; or (ii) the International Offer Shares are fully subscribed or oversubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed as to less than 15 times of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering, provided that (i) the Offer Price would be set at HK\$38.00 (low-end of the indicative Offer Price), and (ii) up to 13,292,300 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 26,584,600 Offer Shares, representing approximately 10% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option).

Where both the International Offer Shares and the Hong Kong Offer Shares are undersubscribed, the Global Offering will not proceed.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it and any person(s) for whose benefit he/she/it is making the application has not applied for or taken up, or indicated an interest in, and will not apply for or take up, or indicate an interest in, any International Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated International Offer Shares under the International Offering.

STRUCTURE OF THE GLOBAL OFFERING

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK\$51.00 per Offer Share in addition to the brokerage, SFC transaction levy, the Hong Kong Stock Exchange trading fee and FRC transaction levy payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the section “– Pricing and Allocation” below, is less than the maximum price of HK\$51.00 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy, the Hong Kong Stock Exchange trading fee and FRC transaction levy attributable to the surplus application monies) will be made to successful applicants, without interest. For further details, please see section “How to Apply for Hong Kong Offer Shares”.

THE INTERNATIONAL OFFERING

Number of Offer Shares Offered

Subject to the reallocation as described above, the number of Offer Shares to be initially offered under the International Offering will be 252,553,000, representing approximately 95% of the total number of Offer Shares initially available under the Global Offering, assuming the Over-allotment Option is not exercised.

Allocation

Pursuant to the International Offering, the International Offer Shares will be conditionally placed on behalf of our Company by the International Purchasers or through selling agents appointed by them. International Offer Shares will be selectively placed with certain professional and institutional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States only in offshore transactions in reliance on Regulation S. The International Offering is subject to the Hong Kong Public Offering being unconditional.

Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the “book-building” process described in the section “– Pricing and Allocation” below and based on a number of factors, including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further H Shares, and/or hold or sell, H Shares, after the listing of our H Shares on the Hong Kong Stock Exchange. Such allocation is intended to result in a distribution of the H Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and our shareholders as a whole.

STRUCTURE OF THE GLOBAL OFFERING

The Overall Coordinators (for themselves and on behalf of the Underwriters as applicable) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the the Overall Coordinators (for themselves and on behalf of the Underwriters as applicable) so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued pursuant to the International Offering may change as a result of the clawback arrangement described in the section “– The Hong Kong Public Offering – Reallocation” above, the exercise of the Over-allotment Option in whole or in part described in the section “– Over-allotment Option,” and any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering and/or any Offer Shares from the International Offering to the Hong Kong Public Offering at the discretion of the Overall Coordinators.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, it is expected that our Company will grant the Over-allotment Option to the International Underwriters, which will be exercisable by the the Overall Coordinators (for themselves and on behalf of the International Underwriters as applicable) in whole or in part at their sole and absolute discretion within 30 days after the last day for lodging applications under the Hong Kong Public Offering.

Pursuant to the Over-allotment Option, the International Underwriters have the right, exercisable by the the Overall Coordinators (for themselves and on behalf of the International Underwriters as applicable), to require our Company to issue and allot up to 37,218,200 additional Offer Shares, representing approximately 14.00% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price under the International Offering, to, among other things, cover over-allocations in the International Offering, if any. In the event that the Over-allotment Option is exercised, a public announcement will be made.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to curb and, if possible, prevent any decline in the market price of the securities below the Offer Price. It may be effected in jurisdictions where it is permissible to do so and subject to all applicable laws and regulatory requirements. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the Offer Price.

STRUCTURE OF THE GLOBAL OFFERING

In connection with the Global Offering, the Stabilizing Manager or its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of the Offer Shares at a level higher than that which might otherwise prevail in the open market. Short sales involve the sale by the Stabilizing Manager of a greater number of H Shares than the Underwriters are required to purchase in the Global Offering. “Covered” short sales are sales made in an amount not greater than the Over-allotment Option. The Stabilizing Manager may close out the covered short position by either exercising the Over-allotment Option to purchase additional Offer Shares or purchasing H Shares in the open market. In determining the source of the Offer Shares to close out the covered short position, the Stabilizing Manager will consider, among other things, the price of Offer Shares in the open market as compared to the price at which they may purchase additional Offer Shares pursuant to the Over-allotment Option. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or curbing a decline in the market price of the Offer Shares while the Global Offering is in progress. However, there is no obligation on the Stabilizing Manager or its affiliates or any person acting for it to conduct any such stabilizing action. Such stabilizing activity, if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time.

Any such stabilizing activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of the Offer Shares that may be over-allocated will not exceed the number of the H Shares that may be issued under the Over-allotment Option, namely, 37,218,200 Offer Shares, which is approximately 14.00% of the number of Offer Shares initially available under the Global Offering, and cover such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or a combination of these means.

In Hong Kong, stabilizing activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong). Stabilizing actions permitted pursuant to the Securities and Futures (Price Stabilizing) Rules include:

- (a) over-allocating for the purpose of preventing or minimizing any reduction in the market price of our H Shares;
- (b) selling or agreeing to sell the H Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the H Shares;
- (c) purchasing or subscribing for, or agreeing to purchase or subscribe for, our H Shares pursuant to the Over-allotment Option in order to close out any position established under (a) or (b) above;
- (d) purchasing, or agreeing to purchase, any of the H Shares for the sole purpose of preventing or minimizing any reduction in the market price;

STRUCTURE OF THE GLOBAL OFFERING

- (e) selling or agreeing to sell any of our H Shares in order to liquidate any position established as a result of those purchases; and
- (f) offering or attempting to do anything as described in (b), (c), (d) or (e) above.

Stabilizing actions by the Stabilizing Manager, or its affiliates or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization.

As a result of effecting transactions to stabilize or maintain the market price of the H Shares, the Stabilizing Manager, or its affiliates or any person acting for it, may maintain a long position in the H Shares. The size of the long position, and the period for which the Stabilizing Manager, or its affiliates or any person acting for it, will maintain the long position is at the discretion of the Stabilizing Manager and is uncertain. In the event that the Stabilizing Manager liquidates this long position by making sales in the open market, this may lead to a decline in the market price of the H Shares.

Stabilizing action by the Stabilizing Manager, or its affiliates or any person acting for it, is not permitted to support the price of the H Shares for longer than the stabilizing period, which begins on the day on which trading of the H Shares commences on the Hong Kong Stock Exchange and ends on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. The stabilizing period is expected to end on Friday, October 28, 2022. As a result, demand for the H Shares, and their market price, may fall after the end of the stabilizing period. These activities by the Stabilizing Manager may stabilize, maintain or otherwise affect the market price of the H Shares. As a result, the price of the H Shares may be higher than the price that otherwise may exist in the open market. Any stabilizing action taken by the Stabilizing Manager, or any person acting for it, may not necessarily result in the market price of the H Shares staying at or above the Offer Price either during or after the stabilizing period. Bids for or market purchases of the H Shares by the Stabilizing Manager, or any person acting for it, may be made at a price at or below the Offer Price and therefore at or below the price paid for the H Shares by purchasers. A public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period.

STRUCTURE OF THE GLOBAL OFFERING

PRICING AND ALLOCATION

Determining the Offer Price

The International Underwriters will be soliciting from prospective investors' indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be agreed on the Price Determination Date, which is expected to be on or about Wednesday, September 28, 2022 and in any event no later than Thursday, September 29, 2022, by agreement between the Overall Coordinators (for themselves and on behalf of the Underwriters as applicable), the Joint Global Coordinators and our Company and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

Offer Price Range

The Offer Price per Offer Share under the Hong Kong Public Offering will be identical to the Offer Price per Offer Share under the International Offering based on the Hong Kong dollar price per Offer Share, as determined by the Overall Coordinators (for themselves and on behalf of the Underwriters as applicable).

The Offer Price will not be more than HK\$51.00 per Offer Share and is expected to be not less than HK\$38.00 per Offer Share, unless otherwise announced by our Company no later than the morning of the last day for lodging applications under the Hong Kong Public Offering, as further explained below. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative offer price range stated in this prospectus.**

Price Payable on Application

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK\$51.00 per Hong Kong Offer Share (plus 1% brokerage, 0.0027% SFC transaction levy, 0.005% Hong Kong Stock Exchange trading fee and 0.00015% FRC transaction levy). If the Offer Price is less than HK\$51.00, appropriate refund payments (including the brokerage, SFC transaction levy, the Hong Kong Stock Exchange trading fee and FRC transaction levy attributable to the surplus application monies, without any interest) will be made to successful applicants.

STRUCTURE OF THE GLOBAL OFFERING

If, for any reason, our Company, the Overall Coordinators (for themselves and on behalf of the Underwriters as applicable) and the Joint Global Coordinators are unable to reach agreement on the Offer Price on or before Thursday, September 29, 2022, the Global Offering will not proceed and will lapse.

Reduction in Indicative Offer Price Range and/or Number of Offer Shares

The Overall Coordinators (for themselves and on behalf of the Underwriters as applicable) may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the indicative offer price range as stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause to be published on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and our Company at www.calb-tech.com, notices of the reduction. As soon as practicable of such reduction of the number of Offer Shares and/or the indicative Offer Price range, our Company will also issue a supplemental prospectus updating investors of such reduction together with an update of all financial and other information in connection with such change and, where appropriate, extend the period under which the Hong Kong Public Offering was open for acceptance, and give potential investors who had applied for the Offer Shares the right to withdraw their applications. Upon issue of such a notice, the revised number of Offer Shares and/or indicative Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Overall Coordinators, for themselves and on behalf of the Underwriters as applicable, and our Company, will be fixed within such a revised Offer Price range.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Overall Coordinators, for themselves and on behalf of the Underwriters as applicable, and our Company, will under no circumstances be set outside the offer price range as stated in this prospectus. However, if the number of Offer Shares and/or the Offer Price range is reduced, applicants under the Hong Kong Public Offering will be entitled to withdraw their applications unless positive confirmations from the applicants to proceed are received.

STRUCTURE OF THE GLOBAL OFFERING

In the event of a reduction in the number of Offer Shares, the Overall Coordinators (for themselves and on behalf of the Underwriters as applicable) may, at their discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 5% of the total number of Offer Shares available under the Global Offering. The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Overall Coordinators (for themselves and on behalf of the Underwriters as applicable).

Announcement of Offer Price and Basis of Allocations

The final Offer Price, the level of indications of interest in the Global Offering, the results of allocations and the basis of allotment of the Hong Kong Offer Shares are expected to be announced on Wednesday, October 5, 2022, on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and on the website of our Company at www.calb-tech.com.

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Overall Coordinators, for themselves and on behalf of the Underwriters as applicable, agreeing on the Offer Price.

We expect to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date.

For these underwriting arrangements, and the Hong Kong Underwriting Agreement and the International Underwriting Agreement, please see section “Underwriting”.

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

- (a) the Listing Committee of the Hong Kong Stock Exchange granting approval for the listing of, and permission to deal in, the Offer Shares to be issued pursuant to the Global Offering (including the additional Offer Shares which may be issued pursuant to the exercise of the Over-allotment Option), and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Offer Shares on the Hong Kong Stock Exchange;
- (b) the Offer Price having been duly agreed between our Company and the Overall Coordinators (for themselves and on behalf of the Underwriters as applicable);

STRUCTURE OF THE GLOBAL OFFERING

- (c) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and
- (d) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements in each case on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times).

If, for any reason, the Offer Price is not agreed between our Company and the Overall Coordinators (for themselves and on behalf of the Underwriters as applicable) and the Joint Global Coordinators on or before Thursday, September 29, 2022, the Global Offering will not proceed and will lapse immediately.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company on the websites of the Hong Kong Stock Exchange at www.hkexnews.hk and our Company at www.calb-tech.com on the next Business Day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section “How to Apply for Hong Kong Offer Shares – G. Despatch/Collection of H Share Certificates and Refund Monies”. In the meantime, all application monies will be held in separate bank account(s) with the receiving bankers or other bank(s) in Hong Kong licensed under the Companying Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

H Share certificates for the Offer Shares will only become valid evidence of title at 8:00 a.m. on the Listing Date provided that (i) the Global Offering has become unconditional in all respects, and (ii) the right of termination as described in the section “Underwriting – Underwriting Arrangements – Hong Kong Public Offering – Grounds for Termination” has not been exercised.

APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE

We have applied to the Listing Committee of the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Offer Shares to be issued by us pursuant to the Global Offering (including the additional Offer Shares which may be issued pursuant to the exercise of the Over-allotment Option).

No part of our Company’s share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to deal is being or proposed to be sought in the near future.

STRUCTURE OF THE GLOBAL OFFERING

H SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the H Shares to be admitted into the Central Clearing and Settlement System, or CCASS, established and operated by the Hong Kong Securities Clearing Company Limited, or HKSCC.

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the H Shares and our Company complies with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Hong Kong Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, October 6, 2022, it is expected that dealings in the H Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on Thursday, October 6, 2022. The H Shares will be traded in board lots of 100 H Shares.

HOW TO APPLY FOR HONG KONG OFFER SHARES

IMPORTANT NOTICE TO INVESTORS: FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide any printed copies of this document or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

This document is available at the website of the Hong Kong Stock Exchange at www.hkexnews.hk under the “HKEXnews > New Listings > New Listing Information” section, and our website at www.calb-tech.com. If you require a printed copy of this document, you may download and print from the website addresses above.

The contents of the electronic version of the document are identical to the printed document as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Set out below are procedures through which you can apply for the Hong Kong Offer Shares electronically. We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public.

If you are an **intermediary, broker or agent**, please remind your customers, clients or principals, as applicable, that this document is available online at the website addresses above.

A. APPLICATIONS FOR HONG KONG OFFER SHARES

1. How To Apply

We will not provide any printed application forms for use by the public.

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- (1) apply online through the **HK eIPO White Form** service in the **IPO App** (which can be downloaded by searching “**IPO App**” in App Store or Google Play or downloaded at www.hkeipo.hk/IPOApp or www.tricorglobal.com/IPOApp) or at www.hkeipo.hk; or

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (2) apply through the **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:
- (i) instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or
 - (ii) (if you are an existing **CCASS Investor Participant**) giving **electronic application instructions** through the CCASS Internet System (<https://ip.ccass.com>) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC's "*An Operating Guide for Investor Participants*" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Center at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

If you apply through channel (1) above, the Hong Kong Offer Shares successfully applied for will be issued in your own name.

If you apply through channels (2)(i) or (2)(ii) above, the Hong Kong Offer Shares successfully applied for will be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Overall Coordinators and Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. Who Can Apply

You can apply for Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- are outside the United States (within the meaning of Regulation S), and are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- are not an existing Shareholder and/or his/her/its close associate;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- are not a core connected person of our Company and will not become a core connected person of our Company immediately upon completion of the Global Offering; and
- have not been allocated and have not applied for or indicated interest in any Offer Share under the International Offering.

If you apply for Hong Kong Offer Shares online through the **HK eIPO White Form** service, in addition to the above, you must also:

- have a valid Hong Kong identity card number/passport number (for individual applicant) or Hong Kong business registration number /certificate of incorporation number (for body corporate applicant);
- have a Hong Kong address; and
- provide a valid e-mail address and a contact telephone number.

The number of joint applicants may not exceed four.

If you are a firm, the application must be in the individual members' names.

If you are applying for the Hong Kong Offer Shares online by instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals, please contact them for the items required for the application.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if:

- you are an existing beneficial owner of the Shares in our Company and/or any of its subsidiaries;
- you are a Director, Supervisor or chief executive of our Company and/or any of our Company's subsidiaries;
- you are a close associate of any of the above persons; or
- you have been allocated or have applied for or indicated an interest in any International Offer Shares or otherwise participated in the International Offering.

HOW TO APPLY FOR HONG KONG OFFER SHARES

3. Applying For Hong Kong Offer Shares

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, apply online through the **HK eIPO White Form** service in the **IPO App** or on the designated website at www.hkeipo.hk.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, apply through the **CCASS EIPO** service to electronically cause HKSCC Nominees to apply for you.

Minimum Application Amount and Permitted Numbers

Your application through the **HK eIPO White Form** service or the **CCASS EIPO** service must be for a minimum of 100 Hong Kong Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

No. of Hong Kong Offer Shares applied for	Amount payable on application HK\$	No. of Hong Kong Offer Shares applied for	Amount payable on application HK\$	No. of Hong Kong Offer Shares applied for	Amount payable on application HK\$	No. of Hong Kong Offer Shares applied for	Amount payable on application HK\$
100	5,151.41	3,500	180,299.02	70,000	3,605,980.25	3,000,000	154,542,010.50
200	10,302.81	4,000	206,056.02	80,000	4,121,120.28	4,000,000	206,056,014.00
300	15,454.20	4,500	231,813.02	90,000	4,636,260.32	5,000,000	257,570,017.50
400	20,605.60	5,000	257,570.02	100,000	5,151,400.35	6,646,100 ⁽¹⁾	342,367,218.67
500	25,757.01	6,000	309,084.02	200,000	10,302,800.70		
600	30,908.41	7,000	360,598.03	300,000	15,454,201.05		
700	36,059.80	8,000	412,112.03	400,000	20,605,601.40		
800	41,211.20	9,000	463,626.03	500,000	25,757,001.75		
900	46,362.61	10,000	515,140.04	600,000	30,908,402.10		
1,000	51,514.01	20,000	1,030,280.07	700,000	36,059,802.45		
1,500	77,271.01	30,000	1,545,420.11	800,000	41,211,202.80		
2,000	103,028.00	40,000	2,060,560.14	900,000	46,362,603.15		
2,500	128,785.01	50,000	2,575,700.18	1,000,000	51,514,003.50		
3,000	154,542.01	60,000	3,090,840.21	2,000,000	103,028,007.00		

(1) Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

HOW TO APPLY FOR HONG KONG OFFER SHARES

4. Terms And Conditions Of An Application

By applying through the application channels specified in this document, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorize our Company and/or the Overall Coordinators (or its agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this document and agree to be bound by them;
- (iv) confirm that you have received and read this document and have relied only on the information and representations contained in this document in making your application and will not rely on any other information or representations except those in any supplement to this document;
- (v) confirm that you are aware of the restrictions on the Global Offering set out in this document;
- (vi) agree that none of our Company, the Sole Sponsor, the Overall Coordinators and Joint Global Coordinators, the Underwriters, the Capital Market Intermediaries, any of them or our Company's respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering (the "**Relevant Persons**") and the **HK eIPO White Form** Service Provider is or will be liable for any information and representations not in this document (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares nor participated in the International Offering;
- (viii) agree to disclose to our Company, the H Share Registrar, the receiving bank and the Relevant Persons any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company nor the Relevant Persons will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this document;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States and are not a U.S. person (as defined in Regulation S);
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;
- (xv) authorize our Company to place your name(s) or the name of HKSCC Nominees on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any H Share certificate(s) and/or any e-Auto Refund payment instruction and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the H Share certificate(s) and/or refund cheque(s) in person;
- (xvi) understand that our Company and the Overall Coordinators will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xvii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** service by you or by any one as your agent or by any other person; and
- (xviii) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider; and (ii) you have due authority to give **electronic application instructions** on behalf of that other person as their agent.

5. Applying Through the HK eIPO White Form Service

General

Applicants who meet the criteria in the paragraph headed “– 2. *Who Can Apply*” in this section, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the **IPO App** or the designated website at www.hkeipo.hk.

Detailed instructions for application through the **HK eIPO White Form** service are in the **IPO App** or on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the **IPO App** or the designated website, you authorize the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this document, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form Service

You may submit your application through the **HK eIPO White Form** service in the **IPO App** or at www.hkeipo.hk (24 hours daily, except on the last day for applications) from 9:00 a.m. on Friday, September 23, 2022 until 11:30 a.m. on Wednesday, September 28, 2022 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, September 28, 2022 the last day for applications, or such later time under the paragraph headed “– C. *Effect of bad weather and/or Extreme Conditions on the opening and closing of the application lists*” in this section.

No Multiple Applications

If you apply by means of the **HK eIPO White Form** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under the **HK eIPO White Form** service more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this document acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

6. Applying Through The CCASS EIPO Service

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the monies due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request.

If you are not a **CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Overall Coordinators and our H Share Registrar.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Applying Through The CCASS EIPO Service

Where you applied through the **CCASS EIPO** service (directly or indirectly through a **broker** and **custodian**) and an application is made by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of this document;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
 - (if the **electronic application instruction** is given for your benefit) declare that only one set of electronic application instructions have been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;
 - confirm that you understand that our Company, the Directors, and the Overall Coordinators will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - authorize our Company to place HKSCC Nominees name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send H Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- confirm that you have read the terms and conditions and application procedures set out in this document and agree to be bound by them;
- confirm that you have received and read a copy of this document and have relied only on the information and representations in this document in causing the application to be made, save as set out in any supplement to this document;
- agree that none of our Company or the Relevant Persons is or will be liable for any information and representations not contained in this document (and any supplement to it);
- agree to disclose to our Company, the H Share Registrar, the receiving bank and the Relevant Persons any personal data which they may require about you;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with our Company, and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this document. However, HKSCC Nominees may revoke the application on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this document under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this document;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the results of the Hong Kong Public Offering;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, the Special Regulations, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- agree with our Company, for itself and for the benefit of each Shareholder of our Company and each director, supervisor, manager and other senior officer of our Company (and so that our Company will be deemed by its acceptance in whole or in part of this application to have agreed, for itself and on behalf of each of the Shareholder and each director, supervisor, manager and other senior officer of our Company, with each CCASS Participant giving electronic application instructions):
 - (a) to refer all differences and claims arising from the Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of our Company to arbitration in accordance with the Articles of Association of our Company;
 - (b) that any award made in such arbitration shall be final and conclusive; and
 - (c) that the arbitration tribunal may conduct hearings in open sessions and publish its award;
- agree with our Company (for our Company itself and for the benefit of each shareholder of our Company) that the H Shares are freely transferable by their holders;
- authorise the Company to enter into a contract on its behalf with each Director, Supervisor and officer of the Company whereby each such director and officer undertakes to observe and comply with his obligations to shareholders stipulated in the Articles of Association of the Company; and
- agree that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Effect of Applying Through The CCASS EIPO Service

By applying through the **CCASS EIPO** service, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy, the Hong Kong Stock Exchange trading fee and the FRC transaction levy by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee and the FRC transaction levy) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in this document.

Time for Inputting Electronic Application Instructions¹

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Friday, September 23, 2022 – 9:00 a.m. to 8:30 p.m.

Saturday, September 24, 2022 – 8:00 a.m. to 1:00 p.m.

Monday, September 26, 2022 – 8:00 a.m. to 8:30 p.m.

Tuesday, September 27, 2022 – 8:00 a.m. to 8:30 p.m.

Wednesday, September 28, 2022 – 8:00 a.m. to 12:00 noon

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, September 23, 2022 until 12:00 noon on Wednesday, September 28, 2022 (24 hours daily, except on Wednesday, September 28, 2022, the last day for applications).

¹ These times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

HOW TO APPLY FOR HONG KONG OFFER SHARES

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, September 28, 2022, the last day for applications or such later time as described in the paragraph headed “– C. *Effect of bad weather and/or Extreme Conditions on the opening and closing of the application lists*” in this section.

If you are instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

The H Share Registrar would record all applications into its system and identify suspected multiple applications with identical names, identification document numbers and reference numbers according to the Best Practice Note on Treatment of Multiple/Suspected Multiple Applications issued by the Federation of Share Registrars Limited.

With regard to the announcement of results of allocations under the section headed “D. *Publication of results*”, the list of identification document number(s) may not be complete list of successful applicants, only successful applicants whose identification document numbers are provided to HKSCC by CCASS Participants are disclosed. Applicants who applied for the Offer Shares through their brokers can consult their brokers to enquire about their application results.

Since applications are subject to personal information collection statements, beneficial owner identification codes displayed are redacted. Applicants with beneficial names only but not identification document numbers are not disclosed due to personal privacy issue.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this document acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 42E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

HOW TO APPLY FOR HONG KONG OFFER SHARES

Personal Data

The following Personal Information Collection Statement applies to any personal data held by our Company, the H Share Registrar, the receiving bank and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. By applying through the **CCASS EIPO** service, you agree to all of the terms of the Personal Information Collection Statement below.

Personal Information Collection Statement

This Personal Information Collection Statement informs the applicant for, and holder of, Hong Kong Offer Shares, of the policies and practices of our Company and the H Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

Reasons for the collection of your personal data

It is necessary for applicants and registered holders of the Hong Kong Offer Shares to supply correct personal data to our Company or its agents and the H Share Registrar when applying for the Hong Kong Offer Shares or transferring the Hong Kong Offer Shares into or out of their names or in procuring the services of the H Share Registrar.

Failure to supply the requested data may result in your application for the Hong Kong Offer Shares being rejected, or in delay or the inability of our Company or the H Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of the Hong Kong Offer Shares which you have successfully applied for and/or the dispatch of H Share certificate(s) to which you are entitled.

It is important that the holders of the Hong Kong Offer Shares inform our Company and the H Share Registrar immediately of any inaccuracies in the personal data supplied.

Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund cheque and e-Auto Refund payment instruction(s), where applicable, verification of compliance with the terms and application procedures set out in this document and announcing results of allocation of the Hong Kong Offer Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- registering new issues or transfers into or out of the names of the holders of the H Shares including, where applicable, HKSCC Nominees;
- maintaining or updating the register of members of our Company;
- verifying identities of the holders of the H Shares;
- establishing benefit entitlements of holders of the H Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from our Company and its subsidiaries;
- compiling statistical information and profiles of the holder of the H Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable our Company and the H Share Registrar to discharge their obligations to holders of the H Shares and/or regulators and/or any other purposes to which the holders of the H Shares may from time to time agree.

Transfer of personal data

Personal data held by our Company and the H Share Registrar relating to the holders of the Hong Kong Offer Shares will be kept confidential but our Company and the H Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- our Company's appointed agents such as financial advisers, receiving bank and overseas principal H Share Registrar;
- where applicants for the Hong Kong Offer Shares request a deposit into CCASS, HKSCC or HKSCC Nominees, who will use the personal data for the purposes of operating CCASS;
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to our Company or the H Share Registrar in connection with their respective business operation;
- the Hong Kong Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations; and
- any persons or institutions with which the holders of the Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers etc.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Retention of personal data

Our Company and the H Share Registrar will keep the personal data of the applicants and holders of the Hong Kong Offer Shares for as long as necessary to fulfill the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance.

Access to and correction of personal data

Holders of the Hong Kong Offer Shares have the right to ascertain whether our Company or the H Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. Our Company and the H Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to our Company and the H Share Registrar, at their registered address disclosed in the section headed “*Corporate information*” in this document or as notified from time to time, for the attention of our company secretary, or the H Share Registrar for the attention of the privacy compliance officer.

7. Warning For Electronic Applications

The application for the Hong Kong Offer Shares by the **CCASS EIPO** service (directly or indirectly through a **broker** and **custodian**) is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day for applications to make your electronic applications. Our Company, the Relevant Persons and the **HK eIPO White Form** Service Provider take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allocated any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, September 28, 2022.

HOW TO APPLY FOR HONG KONG OFFER SHARES

8. How Many Applications Can You Make

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee and apply through the **HK eIPO White Form** service, in the box marked “For Nominees”, you must include an account number or some other identification code for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner when you fill in the application details. If you do not include this information, the application will be treated as being made for your own benefit.

All of your applications will be rejected if more than one application through the **CCASS EIPO** service (directly or indirectly through a **broker** and **custodian**) or through the **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**).

If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“**Unlisted company**” means a company with no equity securities listed on the Hong Kong Stock Exchange. “**Statutory control**” means you:

- control the composition of the board of directors of our company;
- control more than half of the voting power of our company; or
- hold more than half of the issued share capital of our company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

B. HOW MUCH ARE THE HONG KONG OFFER SHARES

The maximum Offer Price is HK\$51.00 per Offer Share. You must pay the maximum Offer Price, brokerage of 1%, SFC transaction levy of 0.0027%, the Hong Kong Stock Exchange trading fee of 0.005% and the FRC transaction levy of 0.00015% in full upon application for the Hong Kong Offer Shares under the terms set out in the paragraph “*Minimum Application Amount and Permitted Numbers*” in this section. This means that for one board lot of 100 Hong Kong Offer Shares, you will pay HK\$5,151.41.

HOW TO APPLY FOR HONG KONG OFFER SHARES

You may submit an application through the **HK eIPO White Form** service in respect of a minimum of 100 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 100 Hong Kong Offer Shares must be in one of the numbers set out in the paragraph “– *Minimum Application Amount and Permitted Numbers*” in this section, or as otherwise specified in the **IPO App** or on the designated website at www.hkeipo.hk.

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy, the Hong Kong Stock Exchange trading fee and the FRC transaction levy will be paid to the Hong Kong Stock Exchange (in the case of the SFC transaction levy, collected by the Hong Kong Stock Exchange on behalf of the SFC and in the case of the FRC transaction levy, collected by the Stock Exchange on behalf of the FRC).

For further details on the Offer Price, see the section headed “*Structure of the Global Offering – Pricing and Allocation*” in this prospectus.

C. EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE OPENING AND CLOSING OF THE APPLICATION LISTS

The application lists will not open or close if there is:

- a tropical cyclone warning signal number 8 or above;
- a “black” rainstorm warning; and/or
- Extreme Conditions,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, September 28, 2022. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings and/or Extreme Conditions in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, September 28, 2022 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in the section headed “Expected timetable” in this document, an announcement will be made in such event.

D. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of the Hong Kong Offer Shares on Wednesday, October 5, 2022 on our Company’s website at www.calb-tech.com and the website of the Hong Kong Stock Exchange at www.hkexnews.hk.

HOW TO APPLY FOR HONG KONG OFFER SHARES

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration/certificate of incorporation numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at www.calb-tech.com and the Hong Kong Stock Exchange's website at www.hkexnews.hk by no later than 9:00 a.m. on Wednesday, October 5, 2022;
- from the "IPO Results" function in the **IPO App** or the designated results of allocations website at www.hkeipo.hk/IPOResult (or www.tricor.com.hk/ipo/result) with a "search by ID" function on a 24-hour basis from Wednesday, October 5, 2022 to 12:00 midnight on Tuesday, October 11, 2022;
- from the allocation results telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Wednesday, October 5, 2022 to Monday, October 10, 2022 (exclude Saturday, Sunday and public holiday in Hong Kong).

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "*Structure of the Global Offering*" in this document.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

E. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allocated to you:

- (i) If your application is revoked:

By applying through the **CCASS EIPO** service or through the **HK eIPO White Form** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this document under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this document.

If any supplement to this document is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Overall Coordinators, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allocation of Hong Kong Offer Shares is void:

The allocation of Hong Kong Offer Shares will be void if the Listing Committee of the Hong Kong Stock Exchange does not grant permission to list the H Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions in the **IPO App** or on the designated website at www.hkeipo.hk;
- your payment is not made correctly;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Overall Coordinators believes or believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than approximately 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

F. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$51.00 per Offer Share (excluding brokerage, SFC transaction levy, the Hong Kong Stock Exchange trading fee and the FRC transaction levy thereon) paid on application, or if the conditions of the Hong Kong Public Offering as set out in the section headed “*Structure of the Global Offering – Conditions of the Hong Kong Public Offering*” in this document are not satisfied or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy, the Hong Kong Stock Exchange trading fee and the FRC transaction levy, will be refunded, without interest.

Any refund of your application monies will be made on or before Wednesday, October 5, 2022.

G. DESPATCH/COLLECTION OF H SHARE CERTIFICATES AND REFUND MONIES

You will receive one H Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made through the **CCASS EIPO** service where the H Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the H Shares. No receipt will be issued for sums paid on application.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Subject to arrangement on dispatch/collection of H Share certificates and refund monies as mentioned below, any refund cheques and H Share certificates are expected to be posted on or before Wednesday, October 5, 2022. The right is reserved to retain any H Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

H Share certificates will only become valid evidence of title at 8:00 a.m. on Thursday, October 6, 2022 **provided that** the Global Offering has become unconditional in all respects at or before that time and the right of termination described in the section headed “*Underwriting*” has not been exercised. Investors who trade H Shares prior to the receipt of H Share certificates or the H Share certificates becoming valid do so entirely at their own risk.

Personal Collection

(i) If you apply through the HK eIPO White Form service

If you apply for 1,000,000 or more Hong Kong Offer Shares through the **HK eIPO White Form** service, and your application is wholly or partially successful, you may collect your H Share certificate(s) (where applicable) in person from the H Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, October 5, 2022, or such other place or date as notified by our Company as the date of despatch/collection of H Share certificates/e-Auto Refund payment instructions/refund cheques.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.

If you do not collect your H Share certificate(s) personally within the time specified for collection, it/they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares through the **HK eIPO White Form** service, your H Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Wednesday, October 5, 2022, by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) in favour of the applicant (or, in the case of joint applications, the first-named applicant) by ordinary post at your own risk.

HOW TO APPLY FOR HONG KONG OFFER SHARES

(ii) If you apply through the CCASS EIPO service

Allocation of Hong Kong Offer Shares

- For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of H Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, October 5, 2022, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allocations of the Hong Kong Public Offering in the manner specified in the paragraph headed “– D. *Publication of Results*” in this section on Wednesday, October 5, 2022. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, October 5, 2022 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allocated to you and the amount of refund monies (if any) payable to you with that broker or custodian.

HOW TO APPLY FOR HONG KONG OFFER SHARES

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allocated to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "*An Operating Guide for Investor Participants*" in effect from time to time) Wednesday, October 5, 2022. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy, the Hong Kong Stock Exchange trading fee and the FRC transaction levy but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, October 5, 2022.

H. ADMISSION OF THE H SHARES INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the H Shares on the Hong Kong Stock Exchange and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-158, received from the Company's reporting accountant, RSM Hong Kong, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Prospectus.

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ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CALB CO., LTD. AND HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED

Introduction

We report on the historical financial information of CALB Co., Ltd. (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages I-4 to I-158, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2019, 2020 and 2021 and 31 March 2022, and the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the periods then ended (the “**Track Record Period**”), and a summary of significant accounting policies and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out in Sections A, B and C on pages I-4 to I-158 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 23 September 2022 (the “**Prospectus**”) in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 of Section B to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 of Section B to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the Company's and the Group's financial position as at 31 December 2019, 2020 and 2021 and 31 March 2022, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 of Section B to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information set out in Sections A and B below included in Appendix I to the Prospectus which comprises the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the three months ended 31 March 2021 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The directors are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 2 of Section B to the

Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 of Section B to the Historical Financial Information.

Report on matters under the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 18 of Section B to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

RSM Hong Kong

Certified Public Accountants

23 September 2022
29th Floor, Lee Garden Two,
28 Yun Ping Road,
Causeway Bay, Hong Kong

A. HISTORICAL FINANCIAL INFORMATION OF THE GROUP**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountant’s report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by RSM Hong Kong in accordance with Hong Kong Standards on Auditing issued by the HKICPA (“**Underlying Financial Statements**”).

The Historical Financial Information is presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

		Year ended 31 December			Three months ended 31 March	
	Note	2019	2020	2021	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)	
Revenue	8	1,733,832	2,825,419	6,817,115	1,063,192	3,897,090
Cost of sales		(1,650,574)	(2,440,745)	(6,438,837)	(922,607)	(3,576,161)
Gross profit		83,258	384,674	378,278	140,585	320,929
Investment and other income	9	18,662	31,644	176,247	29,102	62,804
Government grants and subsidies	10	308,595	134,861	364,509	46,615	151,071
Other gains and (losses), net	11	(142,008)	61,906	(89,541)	7,209	(40,995)
Selling expenses		(52,523)	(82,332)	(160,311)	(25,843)	(84,549)
Administrative expenses		(177,638)	(243,107)	(412,062)	(77,916)	(135,026)
Research and development expenses		(135,892)	(201,989)	(285,256)	(45,586)	(159,199)
Gain on disposal of subsidiaries	11	–	–	347,240	–	–
Impairment loss on investment in associate	11	–	–	(178,700)	–	–
(Impairment losses)/reversal of impairment losses on trade and bills receivables		(35,418)	(23,351)	(26,600)	3,964	(365)
(Impairment losses)/reversal of impairment losses on prepayments, deposits and other receivables		(1,659)	(1,281)	(682)	1,650	(154)
(Loss)/profit from operations		(134,623)	61,025	113,122	79,780	114,516
Finance costs	13	(41,175)	(57,365)	(24,975)	(9,857)	(2,303)
Share of (losses)/profits of associates	25	(8,715)	637	(24,714)	3,553	14,573
Share of loss of a joint venture	26	–	–	–	–	–
(Loss)/profit before tax		(184,513)	4,297	63,433	73,476	126,786
Income tax credit/(expense)	14	28,112	(22,625)	48,107	(13,322)	(68,769)
(Loss)/profit for the year/period	15	<u>(156,401)</u>	<u>(18,328)</u>	<u>111,540</u>	<u>60,154</u>	<u>58,017</u>
Attributable to:						
Owners of the Company		(118,690)	5,157	140,029	64,937	63,553
Non-controlling interests		(37,711)	(23,485)	(28,489)	(4,783)	(5,536)
		<u>(156,401)</u>	<u>(18,328)</u>	<u>111,540</u>	<u>60,154</u>	<u>58,017</u>
(Loss)/earnings per share (expressed in RMB per share)	19					
Basic		<u>(0.2540)</u>	<u>0.0077</u>	<u>0.1128</u>	<u>0.0541</u>	<u>0.0422</u>
Diluted		<u>(0.2540)</u>	<u>0.0077</u>	<u>0.1128</u>	<u>0.0541</u>	<u>0.0422</u>

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 December			Three months ended 31 March	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
(Loss)/profit for the year/period	<u>(156,401)</u>	<u>(18,328)</u>	<u>111,540</u>	<u>60,154</u>	<u>58,017</u>
Other comprehensive income/(expense):					
<i>Item that may be reclassified to profit or loss:</i>					
Exchange differences on translating foreign operations	—	—	(13)	—	(37)
Share of other comprehensive income/(expense) of associates	119	(637)	(165)	97	—
Share of other comprehensive expense of associates reclassified to profit and loss upon disposal of associates	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>503</u>
Other comprehensive income/(expense) for the year/period, net of tax	<u>119</u>	<u>(637)</u>	<u>(178)</u>	<u>97</u>	<u>466</u>
Total comprehensive (expense)/income for the year/period	<u><u>(156,282)</u></u>	<u><u>(18,965)</u></u>	<u><u>111,362</u></u>	<u><u>60,251</u></u>	<u><u>58,483</u></u>
Attributable to:					
Owners of the Company	(118,603)	4,690	139,893	65,009	64,019
Non-controlling interests	<u>(37,679)</u>	<u>(23,655)</u>	<u>(28,531)</u>	<u>(4,758)</u>	<u>(5,536)</u>
	<u><u>(156,282)</u></u>	<u><u>(18,965)</u></u>	<u><u>111,362</u></u>	<u><u>60,251</u></u>	<u><u>58,483</u></u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at
	Note	2019	2020	2021	31 March
		RMB'000	RMB'000	RMB'000	2022
					RMB'000
Non-current assets					
Property, plant and equipment	20	4,845,676	8,566,468	15,251,502	18,811,078
Right-of-use assets	21	499,233	546,008	643,374	1,188,650
Goodwill	22	140,097	140,097	–	–
Intangible assets	23	552,215	776,842	1,075,007	1,053,317
Investments in associates	25	61,917	67,884	1,104,966	16,964
Investments in joint ventures	26	–	–	–	–
Deposits paid for acquisition of property, plant and equipment	29	252,455	484,181	1,675,984	2,314,271
Deferred tax assets	41	174,820	147,623	362,537	345,602
		<u>6,526,413</u>	<u>10,729,103</u>	<u>20,113,370</u>	<u>23,729,882</u>
Current assets					
Inventories	27	1,309,227	760,326	1,756,784	2,759,307
Trade and bills receivables	28	1,141,881	1,246,319	2,714,704	4,997,939
Prepayments, deposits and other receivables	29	534,080	628,621	1,645,749	4,004,021
Amounts due from related parties	30	6,717	5,769	1,924,932	1,504,668
Other financial assets	31	89,726	2,603,689	6,182,575	3,006,877
Current tax assets		402	302	–	–
Pledged bank deposits	32(a)	1,078,744	632,233	1,251,564	1,602,863
Restricted bank balances	32(b)	1,422	252	252	252
Bank and cash balances	32(c)	445,229	1,693,284	3,109,518	3,365,496
		<u>4,607,428</u>	<u>7,570,795</u>	<u>18,586,078</u>	<u>21,241,423</u>
Current liabilities					
Trade and bills payables	33	2,036,979	2,656,718	6,316,866	8,258,770
Accruals and other payables	34	645,430	1,510,634	2,118,779	2,587,393
Contract liabilities	35	26,585	32,014	106,918	134,162
Amounts due to related parties	30	50,780	29,258	22,864	38,877
Lease liabilities	37	22,230	5,346	11,042	17,655
Bank borrowings	38	626,810	687,459	3,647	205,574
Other loans	39	175,711	60,564	–	–
Provisions	40	48,675	84,827	136,396	211,660
Financial guarantees	42	–	–	12,354	10,719
Put option liabilities	43	–	–	941,132	2,512,229
Current tax liabilities		–	–	220,352	259,727
		<u>3,633,200</u>	<u>5,066,820</u>	<u>9,890,350</u>	<u>14,236,766</u>
Net current assets		<u>974,228</u>	<u>2,503,975</u>	<u>8,695,728</u>	<u>7,004,657</u>
Total assets less current liabilities		<u>7,500,641</u>	<u>13,233,078</u>	<u>28,809,098</u>	<u>30,734,539</u>

APPENDIX I
ACCOUNTANT'S REPORT

		As at 31 December			As at
	Note	2019	2020	2021	31 March
		RMB'000	RMB'000	RMB'000	2022
					RMB'000
Non-current liabilities					
Amounts due to related parties	30	650,260	–	–	–
Deferred income	36	249,656	217,774	914,108	829,647
Lease liabilities	37	69,511	5,612	15,709	83,717
Bank borrowings	38	249,019	140,000	2,887,000	4,923,203
Other loans	39	163,735	212,982	–	–
Deferred tax liabilities	41	52,661	48,089	6,157	18,616
		<u>1,434,842</u>	<u>624,457</u>	<u>3,822,974</u>	<u>5,855,183</u>
NET ASSETS		<u>6,065,799</u>	<u>12,608,621</u>	<u>24,986,124</u>	<u>24,879,356</u>
Capital and reserves					
Equity attributable to owners of the Company					
Share capital/Paid-in capital	45	6,396,732	12,768,773	1,506,457	1,506,457
Reserves	46	(797,165)	(602,729)	22,655,437	21,178,205
		<u>5,599,567</u>	<u>12,166,044</u>	<u>24,161,894</u>	<u>22,684,662</u>
Non-controlling interests		<u>466,232</u>	<u>442,577</u>	<u>824,230</u>	<u>2,194,694</u>
TOTAL EQUITY		<u>6,065,799</u>	<u>12,608,621</u>	<u>24,986,124</u>	<u>24,879,356</u>

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at 31 December			As at
	Note	2019	2020	2021	31 March
		RMB'000	RMB'000	RMB'000	2022
					RMB'000
Non-current assets					
Property, plant and equipment	20	2,755,140	4,757,886	43,729	39,204
Right-of-use assets	21	75,153	202,442	19,587	19,348
Intangible assets	23	269,291	234,175	338,120	329,073
Investments in subsidiaries	(a)	1,815,711	3,659,704	12,167,408	14,710,631
Investments in an associate		–	–	990,090	10,061
Deposits paid for acquisition of property, plant and equipment	29	185,828	145,324	182,107	331,948
Deferred tax assets	41	89,701	77,510	66,053	69,234
		<u>5,190,824</u>	<u>9,077,041</u>	<u>13,807,094</u>	<u>15,509,499</u>
Current assets					
Inventories	27	538,872	280,247	–	28,173
Trade and bills receivables	28	1,117,032	1,030,414	6,289,155	11,693,582
Prepayments, deposits and other receivables	29	371,031	374,067	325,908	1,960,961
Amounts due from related parties	30	252,291	441,296	4,623,097	4,390,664
Other financial assets	31	–	2,603,689	6,182,575	3,006,877
Pledged bank deposits	32	865,301	455,148	513,403	265,662
Restricted bank balances	32	1,422	252	252	252
Bank and cash balances	32	150,770	867,417	1,666,586	606,693
		<u>3,296,719</u>	<u>6,052,530</u>	<u>19,600,976</u>	<u>21,952,864</u>
Current liabilities					
Trade and bills payables	33	1,401,481	2,025,980	6,545,048	9,971,461
Accruals and other payables	34	401,798	640,326	95,504	91,593
Contract liabilities	35	65	8	106,031	133,976
Amounts due to related parties	30	300,697	329	191,501	283,499
Lease liabilities	37	–	–	554	686
Bank borrowings	38	–	–	1,291	201,811
Provisions	40	23,024	38,840	80,767	96,730
Financial guarantees	42	22,728	55,383	78,956	76,391
Put option liabilities	43	–	–	941,132	2,512,229
		<u>2,149,793</u>	<u>2,760,866</u>	<u>8,040,784</u>	<u>13,368,376</u>
Net current assets		<u>1,146,926</u>	<u>3,291,664</u>	<u>11,560,192</u>	<u>8,584,488</u>
Total assets less current liabilities		<u>6,337,750</u>	<u>12,368,705</u>	<u>25,367,286</u>	<u>24,093,987</u>

		As at 31 December			As at
	Note	2019	2020	2021	31 March
		RMB'000	RMB'000	RMB'000	2022
					RMB'000
Non-current liabilities					
Amounts due to related parties	30	650,260	–	–	–
Deferred income	36	7,281	8,290	9,958	9,597
Lease liabilities	37	–	–	1,264	1,091
Bank borrowing	38	–	–	1,087,000	1,350,000
Deferred tax liabilities	41	–	363	2,056	2,830
		<u>657,541</u>	<u>8,653</u>	<u>1,100,278</u>	<u>1,363,518</u>
NET ASSETS		<u>5,680,209</u>	<u>12,360,052</u>	<u>24,267,008</u>	<u>22,730,469</u>
Capital and reserves					
Share capital/Paid-in capital	45	6,396,732	12,768,773	1,506,457	1,506,457
Reserves	46(c)	<u>(716,523)</u>	<u>(408,721)</u>	<u>22,760,551</u>	<u>21,224,012</u>
TOTAL EQUITY		<u>5,680,209</u>	<u>12,360,052</u>	<u>24,267,008</u>	<u>22,730,469</u>

Note:

- (a) Investments in subsidiaries represent the investment cost of direct subsidiaries of the Company as set out in note 2.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company											
	Share capital/ Paid-in capital (Note 45) RMB'000	Capital reserve (Note 46(b)(i)) RMB'000	Merger reserve (Note 46(b)(ii)) RMB'000	Safety production fund (Note 46(b)(iii)) RMB'000	Contribution from shareholder (Note 46(b)(iv)) RMB'000	Exchange reserve (Note 46(b)(v)) RMB'000	Other reserve (Note 46(b)(vi)) RMB'000	Put option reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
At 1 January 2019	4,000,000	-	35,750	-	-	-	-	-	(664,560)	3,371,190	16,379	3,387,569
Total comprehensive expense for the year	-	-	-	-	-	-	87	-	(118,690)	(118,603)	(37,679)	(156,282)
Proceeds from paid-in capital (note 45 (ii))	1,909,427	573	-	-	-	-	-	-	-	1,910,000	-	1,910,000
Acquisition of a subsidiary (note 47(a))	417,575	125	-	-	-	-	-	-	-	417,700	498,187	915,887
Issue registered capital to acquire a subsidiary under common control	27,684	8	(27,692)	-	-	-	-	-	-	-	-	-
Issue registered capital to acquire non-controlling interests of a subsidiary	42,046	(31,391)	-	-	-	-	-	-	-	10,655	(10,655)	-
Share-based payments (note 44)	-	-	-	-	8,625	-	-	-	-	8,625	-	8,625
Safety production fund	-	-	-	-	-	-	-	-	-	-	-	-
Changes in equity for the year	2,396,732	(30,685)	(27,692)	-	8,625	-	87	-	(118,690)	2,228,377	449,853	2,678,230
At 31 December 2019	6,396,732	(30,685)	8,058	-	8,625	-	87	-	(783,250)	5,599,567	466,232	6,065,799

Attributable to owners of the Company											
Share capital/ Paid-in capital (Note 45) RMB'000	Capital reserve (Note 46(b)(i)) RMB'000	Merger reserve (Note 46(b)(ii)) RMB'000	Safety production fund (Note 46(b)(iii)) RMB'000	Contribution from shareholder (Note 46(b)(iv)) RMB'000	Exchange reserve (Note 46(b)(v)) RMB'000	Other reserve (Note 46(b)(vi)) RMB'000	Put option reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
At 1 January 2020	6,396,732	(30,685)	8,058	-	8,625	-	87	(783,250)	5,599,567	466,232	6,065,799
Total comprehensive expense for the year	-	-	-	-	-	(467)	-	5,157	4,690	(23,655)	(18,965)
Proceeds from paid-in capital (note 45 (iii) & (iv))	6,372,041	169,306	-	-	-	-	-	-	6,541,347	-	6,541,347
Share-based payments (note 44)	-	-	-	20,440	-	-	-	-	20,440	-	20,440
Safety production fund	-	-	-	946	-	-	-	(946)	-	-	-
Changes in equity for the year	6,372,041	169,306	-	946	20,440	(467)	-	4,211	6,566,477	(23,655)	6,542,822
At 31 December 2020	12,768,773	138,621	8,058	946	29,065	(380)	-	(779,039)	12,166,044	442,577	12,608,621

	Attributable to owners of the Company											
	Share capital/ Paid-in capital (Note 45) RMB'000	Capital reserve (Note 46(b)(i)) RMB'000	Merger reserve (Note 46(b)(ii)) RMB'000	Safety production fund (Note 46(b)(iii)) RMB'000	Contribution from shareholder (Note 46(b)(iv)) RMB'000	Exchange reserve (Note 46(b)(v)) RMB'000	Other reserve (Note 46(b)(vi)) RMB'000	Put option reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
At 1 January 2021	12,768,773	138,621	8,058	946	29,065	-	(380)	-	(779,039)	12,166,044	442,577	12,608,621
Total comprehensive income for the year	-	-	-	-	-	(13)	(123)	-	140,029	139,893	(28,531)	111,362
Acquisition of additional interests in a subsidiary	-	(5,738)	-	-	-	-	-	-	-	(5,738)	(16,780)	(22,518)
Converted into a joint stock company with limited liability (note 45 (vi))	(11,568,773)	11,188,346	-	(7)	-	-	-	-	380,434	-	-	-
Proceeds from paid-in capital (note 45 (vi))	288,000	11,702,000	-	-	-	-	-	-	-	11,990,000	-	11,990,000
Increase shareholding of an associate*	18,457	750,567	-	-	-	-	-	-	-	769,024	-	769,024
Capital contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	828,000	828,000
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	(401,036)	(401,036)
Put option liabilities (note 43)	-	-	-	-	-	-	-	(926,620)	-	(926,620)	-	(926,620)
Share-based payments (note 44)	-	-	-	-	29,284	-	-	-	-	29,284	-	29,284
Safety production fund	-	-	-	(920)	-	-	-	-	927	7	-	7
Changes in equity for the year	(11,262,316)	23,635,175	-	(927)	29,284	(13)	(123)	(926,620)	521,390	11,995,850	381,653	12,377,503
At 31 December 2021	1,506,457	23,773,796	8,058	19	58,349	(13)	(503)	(926,620)	(257,649)	24,161,894	824,230	24,986,124

* Shares of the Company were issued for acquiring 25.63% equity interest of Luoyang Company Minority Shareholders. After the acquisition, the Company holds 49% equity interest of Luoyang Company.

	Attributable to owners of the Company											
	Share capital/ Paid-in capital (Note 45) RMB '000	Capital reserve (Note 46(b)(i)) RMB '000	Merger reserve (Note 46(b)(ii)) RMB '000	Safety production fund (Note 46(b)(iii)) RMB '000	Contribution from shareholder (Note 46(b)(iv)) RMB '000	Exchange reserve (Note 46(b)(v)) RMB '000	Other reserve (Note 46(b)(vi)) RMB '000	Put option reserve RMB '000	Accumulated losses RMB '000	Total RMB '000	Non- controlling interests RMB '000	Total equity RMB '000
At 1 January 2022	1,506,457	23,773,796	8,058	19	58,349	(13)	(503)	(926,620)	(257,649)	24,161,894	824,230	24,986,124
Total comprehensive income for the period	-	-	-	-	-	(37)	-	-	63,553	63,516	(5,536)	57,980
Disposal of associates	-	-	-	-	-	-	503	-	-	503	-	503
Capital contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	1,376,000	1,376,000
Put option liabilities (note 43)	-	-	-	-	-	-	-	(1,551,270)	-	(1,551,270)	-	(1,551,270)
Share-based payments (note 44)	-	-	-	-	10,019	-	-	-	-	10,019	-	10,019
Safety production fund	-	-	-	(19)	-	-	-	-	19	-	-	-
Changes in equity for the period	-	-	-	(19)	10,019	(37)	503	(1,551,270)	63,572	(1,477,232)	1,370,464	(106,768)
At 31 March 2022	1,506,457	23,773,796	8,058	-	68,368	(50)	-	(2,477,890)	(194,077)	22,684,662	2,194,694	24,879,356

	Attributable to owners of the Company											
	Share capital/ Paid-in capital (Note 45) RMB'000	Capital reserve (Note 46(b)(i)) RMB'000	Merger reserve (Note 46(b)(ii)) RMB'000	Safety production fund (Note 46(b)(iii)) RMB'000	Contribution from shareholder (Note 46(b)(iv)) RMB'000	Exchange reserve (Note 46(b)(v)) RMB'000	Other reserve (Note 46(b)(vi)) RMB'000	Put option reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
(Unaudited) At 1 January 2021	12,768,773	138,621	8,058	946	29,065	-	(380)	-	(779,039)	12,166,044	442,577	12,608,621
Total comprehensive income for the period	-	-	-	-	-	-	72	-	64,937	65,009	(4,758)	60,251
Acquisition of additional interests in a subsidiary	-	(5,738)	-	-	-	-	-	-	-	(5,738)	(16,780)	(22,518)
Share-based payments (note 44)	-	-	-	-	7,221	-	-	-	-	7,221	-	7,221
Safety production fund	-	-	-	33	-	-	-	-	(23)	10	(10)	-
Changes in equity for the period	-	(5,738)	-	33	7,221	-	72	-	64,914	66,502	(21,548)	44,954
At 31 March 2021	12,768,773	132,883	8,058	979	36,286	-	(308)	-	(714,125)	12,232,546	421,029	12,653,575

CONSOLIDATED STATEMENTS OF CASH FLOWS

Note	Year ended 31 December			Three months ended 31 March	
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2021 RMB'000 (Unaudited)	2022 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES					
(Loss)/profit before tax	(184,513)	4,297	63,433	73,476	126,786
Adjustments for:					
Depreciation of property, plant and equipment	20	203,124	214,576	453,486	89,672
Depreciation of right-of-use assets	21	17,163	29,583	20,708	4,364
Amortisation of intangible assets	23	56,727	72,308	83,431	18,997
Equity-settled share-based payments		8,625	20,440	29,284	7,221
Share of losses/(profits) of associates		8,715	(637)	24,714	(3,553)
Reversal of share of profit of an associate	11	–	–	–	–
Government grants and subsidies		(25,146)	(38,806)	(33,124)	(9,446)
Impairment losses on property, plant and equipment	11	18,660	–	–	–
Impairment losses on intangible assets	11	–	–	15	–
Gain on disposal of subsidiaries	11	–	–	(347,240)	–
Loss on disposal of associates	11	–	–	–	503
Impairment losses on investments in associates	11	–	–	178,700	–
Allowance/(reversal of allowance) for inventories	11	120,920	(49,999)	90,088	(6,754)
Impairment losses (reversal of impairment losses) on trade and bills receivables, net		35,418	23,351	26,600	(3,964)
Impairment losses on other receivables, net		1,659	1,281	682	(1,650)
Net loss/(gain) on disposals of property, plant and equipment	11	1,902	(7,417)	25	773
Fair value change in financial assets at FVTPL	11	(726)	(2,419)	(13,705)	–
Fair value change in financial guarantees	11	–	–	(1,755)	–
Fair value change in put option liabilities	11	–	–	14,512	–
Net gain on early termination of leases	11	–	(2,322)	–	–
Net loss on lease modification		–	–	–	1,132
Interest income	9	(17,917)	(27,709)	(172,266)	(28,309)
Finance costs	13	41,175	57,365	24,975	9,857
Operating profit before working capital changes		285,786	293,892	442,563	150,684
(Increase)/decrease in inventories		(666,624)	598,900	(1,963,637)	(446,085)
(Increase)/decrease in trade and bills receivables		(13,113)	110,918	(2,088,450)	2,510
Increase in prepayments, deposits and other receivables		(184,671)	(97,018)	(1,150,132)	(240,628)
Increase in amount due from a former shareholder		(218,344)	–	–	–
Decrease/(increase) in amount due from an associate		1,636	2,235	612,871	(28,099)
Increase in amount due to a joint venture		4,819	–	–	–
Increase/(decrease) in amounts due to subsidiaries of shareholders		173	–	3,942	–
Increase/(decrease) in amount due to a shareholder		–	24,385	(24,398)	(24,558)
Increase in amount due to an associate		–	–	(74,796)	–
Increase/(decrease) in trade and bills payables		608,894	228,880	4,499,822	752,384
(Decrease)/increase in accruals and other payables		(342,218)	740,908	1,125,625	(5,480)
Increase in provisions		26,291	36,152	111,337	13,360
(Decrease)/increase in contract liabilities		(14,227)	5,429	90,975	(18,567)
Cash (used in)/generated from operations		(511,598)	1,944,681	1,585,722	155,521
Interest expenses on lease liabilities		(2,167)	(2,552)	(21)	–
Income tax refund		–	100	302	–
Net cash (used in)/generated from operating activities		(513,765)	1,942,229	1,586,003	155,521
					(2,326,029)

APPENDIX I
ACCOUNTANT'S REPORT

	Note	Year ended 31 December			Three months ended	
		2019	2020	2021	31 March	2022
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)	
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received		17,917	27,709	172,266	28,309	62,274
Acquisition of a subsidiary	47(a)	151,223	–	–	–	–
Disposal of subsidiaries	47(b)	–	–	(24,355)	–	–
Deposits paid for acquisition of property, plant and equipment		(138,433)	(231,726)	(1,269,718)	(33,227)	(638,287)
Payment of property, plant and equipment		(1,088,572)	(2,603,866)	(8,853,004)	(1,138,359)	(3,269,080)
Proceeds from disposals of property, plant and equipment		8,936	25,969	110,262	6,569	–
Received government grants in relation to assets	36	10,559	6,924	9,568	3,289	15,275
Payment of right-of-use assets		(156,715)	(129,259)	(267,869)	(2,235)	(481,361)
Addition of intangible assets		(97,453)	(296,935)	(527,597)	(41,234)	(16,802)
Dividend received from an associate		–	1,431	–	–	–
Refund of capital contribution of an associate		–	2,263	–	–	–
Purchase of other financial assets		(310,000)	(2,863,000)	(17,485,000)	(640,000)	(2,400,000)
Proceeds from disposal of other financial assets		221,000	352,000	13,930,000	1,640,000	5,690,000
Purchase of shares of listed equity security		–	–	–	–	(100,000)
(Increase)/decrease in amount due from a joint venture		–	(3,521)	351	(29)	–
(Increase)/decrease in amounts due from a subsidiary of a shareholder		(3,022)	803	1,838	(94)	500,000
Decrease in amount due from a shareholder		–	–	–	–	(10)
(Increase)/decrease in pledged bank deposits		(492,723)	446,511	(786,569)	(236,626)	(351,299)
Capital contribution to associate		–	–	(17,400)	–	–
Decrease in restricted bank balances		626,320	1,170	–	–	–
Net cash used in investing activities		(1,250,963)	(5,263,527)	(15,007,227)	(413,637)	(989,290)
CASH FLOWS FROM FINANCING ACTIVITIES						
Net proceeds from/(payment of) bank borrowings		241,895	(48,370)	2,371,586	230,570	2,238,130
Net proceeds from/(payment of) other loans		196,906	(65,900)	(241,546)	(14,889)	–
Acquisition of non-controlling interests		–	–	(22,518)	(22,518)	–
Repayment of loan from a shareholder		–	(260)	–	–	–
Repayment of loan from a subsidiary of a shareholder		(256,063)	(45,907)	–	–	–
Principal elements of lease payments		(9,405)	(25,560)	(222)	–	(1,870)
Capital contribution from non-controlling interests		–	–	828,000	–	1,376,000
Proceeds from issuance of registered capital		1,910,000	4,810,800	11,990,000	–	–
Interest paid		(39,008)	(54,813)	(87,836)	(10,576)	(40,926)
Net cash generated from financing activities		2,044,325	4,569,990	14,837,464	182,587	3,571,334
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS						
		279,597	1,248,692	1,416,240	(75,529)	256,015
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR						
		165,703	445,229	1,693,284	1,693,284	3,109,518
Effect of foreign exchange rate changes		(71)	(637)	(6)	452	(37)
CASH AND CASH EQUIVALENTS AT END OF YEAR						
		445,229	1,693,284	3,109,518	1,618,207	3,365,496
ANALYSIS OF CASH AND CASH EQUIVALENTS						
Bank and cash balance	32	445,229	1,693,284	3,109,518	1,618,207	3,365,496

B. NOTES TO THE HISTORICAL FINANCIAL INFORMATION**1. GENERAL INFORMATION**

CALB Co., Ltd. (中創新航科技股份有限公司) (formerly known as CALB (Jiangsu) Co., Ltd.* (中航鋰電(江蘇)有限公司), CALB Technology Co., Ltd.* (中航鋰電科技有限公司) and CALB Technology Holding Co., Ltd.* (中航鋰電科技股份有限公司)) was established as a limited liability company in the People's Republic of China (the "PRC") on 8 December 2015. The registered office and the address of its principal place of business is No. 1 Jiangdong Avenue, Jintan District, Changzhou City, Jiangsu Province, PRC.

The Company has been engaging in the design, research and development, production and sales of EV batteries and ESS products. The principal activities of its subsidiaries are set out in Note 2.

Upon the Company's establishment, it was owned as to 50% by Changzhou Jinsha Technology Investment Company Limited* (常州金沙科技投資有限公司) ("**Jinsha Investment**"), which is a company ultimately controlled by the People's Government of Jintan District, Changzhou City ("**Government of Jintan District**"), 30% by China Lithium Battery Technology (Luoyang) Co., Ltd.* (中航鋰電(洛陽)有限公司) ("**Luoyang Company**") and 20% by Changzhou Huake Technology Investment Company Limited* (常州華科科技投資有限公司) ("**Huake Investment**"), which is a company ultimately controlled by the Government of Jintan District. Pursuant to provisions of the Articles of Association of the Company dated 8 December 2015, Luoyang Company as a shareholder shall be entitled to at least 51% of the voting rights in the Company although Luoyang Company only subscribed for 30% of the registered capital of the Company. Luoyang Company was ultimately controlled by Aviation Industry Corporation of China, Ltd.* (中國航空工業集團有限公司) ("**AVIC**") since its date of establishment and up to 30 June 2019. In the opinion of the Directors of the Company, upon completion of Luoyang Acquisition (as defined and described in Note 2 below) on 1 July 2019, the Company became ultimately controlled by the Jintan Group.

During October to November 2021, the Company was converted into a joint stock limited company and the name of the Company was changed to CALB Co., Ltd. (中創新航科技股份有限公司).

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

2. CORPORATE STRUCTURE AND BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

On 22 April 2019, Luoyang Company and Sichuan Chengfei Integration Technology Co., Ltd.* (四川成飛集成科技股份有限公司) ("**Chengfei Integration**") entered into an equity transfer agreement, pursuant to which, Luoyang Company agreed to transfer its 30% equity interests (including the 51% voting rights) in the Company to Chengfei Integration at a consideration of RMB1,094.28 million. Upon completion, Luoyang Company ceased its control over the Company.

On 22 April 2019, Chengfei Integration and the Company entered into an equity transfer agreement, pursuant to which, Chengfei Integration agreed to transfer its 45% equity interests in Luoyang Company to the Company at a consideration of RMB1,094.28 million. Upon completion, the Company obtained 45% equity interest in Luoyang Company.

On 22 April 2019, Chengfei Integration and Jinsha Investment agreed to subscribe for certain amount of the increased registered capital of the Company by transferring 18.98% and 9.38% of their respective equity interests in Luoyang Company as consideration to the Company.

According to the then effective articles of association of the Company, upon the completion of the aforesaid equity transfers and capital increases on 1 July 2019, the shareholders shall exercise the voting rights in the Company in proportion to their respective shareholding percentage in the Company. Consequently, the Company became ultimately controlled by the Jintan Group.

Furthermore, upon completion of the aforesaid equity transfers and capital increases on 1 July 2019, Luoyang Company ceased to be the controlling shareholder of the Company and became a non-wholly owned subsidiary of the Company ("**Luoyang Acquisition**") and the Group has 73.36% equity interest in Luoyang Company. The Company was identified as the acquirer and the acquisition of Luoyang Company was accounted for under IFRS 3 – Business Combinations.

In December 2020, the Company further acquired equity interest of Luoyang Company from a non-controlling shareholder with a cash consideration of RMB22,518,000. Upon completion, the Group's ownership of Luoyang Company was increased to 74.37%.

On 1 July 2019, the Company acquired 65% equity interests of CALB Technology Co., Ltd.* (中創新航技術研究院(江蘇)有限公司) ("Jiangsu Research Institute") from Changzhou Huake Technology Investment Co., Ltd.* (常州華科科技投資有限公司) ("Huake Investment") ("Jiangsu Research Institute Merger") and 35% equity interest of Jiangsu Research Institute from Chengfei Integration ("Jiangsu Research Institute Acquisition") by issuing registered capital of approximately RMB69.7 million of the Company. Jiangsu Research Institute has been controlling by Jintan Group since its establishment. The Company and Jiangsu Research Institute were under common control of Jintan Group before and after the Jiangsu Research Institute Merger, therefore it was accounted for as business combination under common control by applying the principles of merger accounting.

Prior to the Jiangsu Research Institute Acquisition, equity interests attributable to Chengfei Integration were treated as non-controlling interests. Non-controlling interests were acquired and derecognised following the Jiangsu Research Institute Acquisition.

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

During the Track Record Period and as at the date of this report, the Company had direct and indirect interests in its subsidiaries, the particulars of which are set out below:

		Place and date of establishments		Registered capital (paid-up amount)		Percentage of equity attributable to the Company								Principal activities
Name	Note					At 31 December				At 31 March				
						2019		2020		2021		2022		
						Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect	
中創新航新能源(廈門)有限公司 CALB (Xiamen) Co., Ltd.*, formerly known as 中航鋰電(廈門)科技有限公司 (“Xiamen Company”)	(a)	PRC 15 July 2019	2019: RMB2,500 million 2020: RMB2,500 million 2021: RMB5,000 million 2022#: RMB5,000 million	(RMB250 million) (RMB2,000 million) (RMB4,000 million) (RMB4,800 million)	100%	N/A	100%	N/A	100%	N/A	100%	N/A	Research and development, production and sales of EV battery and ESS products	
中創新航技術研究院(江蘇)有限公司 CALB Technology Co., Ltd.* (“Jiangsu Research Institute”)	(a)	PRC 8 November 2016	2019: RMB107 million 2020: RMB107 million 2021: RMB1,000 million 2022#: RMB1,000 million	(RMB55 million) (RMB107 million) (RMB1,000 million) (RMB1,000 million)	100%	N/A	100%	N/A	100%	N/A	100%	N/A	Research and development of EV battery and ESS products	
中航鋰電(洛陽)有限公司 China Lithium Battery Technology (Luoyang) Co., Ltd.* (“Luoyang Company”)	(a)	PRC 14 September 2009	2019: RMB990.867 million 2020: RMB990.867 million 2021: RMB990.867 million	(RMB990.867 million) (RMB990.867 million) (RMB990.867 million)	73.36%	N/A	73.36%	N/A	49%	N/A	N/A	N/A	Design, research and development, production and sales of EV battery for civil and military industrial use and ESS products	
中航鋰電(北京)有限公司 China Lithium Battery Technology (Beijing) Co., Ltd.* (“CALB (Beijing)”)	(a)	PRC 4 September 2013	2019: RMB40 million 2020: RMB40 million 2021: RMB40 million	(RMB40 million) (RMB40 million) (RMB40 million)	N/A	73.36%	N/A	73.36%	N/A	49%	N/A	N/A	Sales of EV battery	

APPENDIX I

ACCOUNTANT'S REPORT

Name	Note	Place and date of establishments		Registered capital (paid-up amount)	Percentage of equity attributable to the Company								Principal activities	
					At 31 December				At 31 March					
					2019		2020		2021		2022			
					Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect		
中創新航技術研究中心 (深圳)有限公司 CALB Technology (Shenzhen) Co., Ltd.* 凱博能源先進 技術研究院(深圳)有 限責任公司 (“Shenzhen Research Institute”)	(a)	PRC 28 May 2021	2019: 2020: 2021: 2022#:	N/A N/A RMB100 million RMB100 million	N/A N/A (RMB100 million) (RMB100 million)	N/A	N/A	N/A	N/A	100%	N/A	100%	N/A	Research and development of EV battery and ESS products
中創新航科技(成都)有 限公司 CALB (Chengdu) Co., Ltd.*, formerly known as 凱博能源 科技(成都)有限公司 (“Chengdu Company”)	(a)	PRC 29 May 2021	2019: 2020: 2021: 2022#:	N/A N/A RMB2,000 million RMB2,000 million	N/A N/A (RMB631.5 million) (RMB1,608 million)	N/A	N/A	N/A	N/A	51%	N/A	51%	N/A	Research and development, production and sales of EV battery and ESS products
中創新航科技(江蘇)有 限公司 CALB (Jiangsu) Co., Ltd.* (“Jiangsu Company”)	(a)	PRC 23 June 2021	2019: 2020: 2021: 2022#:	N/A N/A RMB6,000 million RMB6,000 million	N/A N/A (RMB6,000 million) (RMB6,000 million)	N/A	N/A	N/A	N/A	100%	N/A	100%	N/A	Research and development, production and sales of EV battery and ESS products
中創新航科技(武漢)有 限公司 CALB (Wuhan) Co., Ltd.*, formerly known as 凱博能源科技(武漢) 有限公司 (“Wuhan Company”)	(a)	PRC 15 July 2021	2019: 2020: 2021: 2022#:	N/A N/A RMB2,500 million RMB2,500 million	N/A N/A (RMB900 million) (RMB1,236 million)	N/A	N/A	N/A	N/A	51%	N/A	51%	N/A	Research and development, production and sales of EV battery and ESS products
中創新航科技(合肥)有 限公司 CALB (Hefei) Co., Ltd.*, formerly known as 凱博能源科技(合肥) 有限公司 (“Hefei Company”)	(a)	PRC 25 September 2021	2019: 2020: 2021: 2022#:	N/A N/A RMB2,500 million RMB2,500 million	N/A N/A (RMB300 million) (RMB620 million)	N/A	N/A	N/A	N/A	20%	N/A	20%	N/A	Research and development, production and sales of EV battery and ESS products
CALB GmbH	(b)	Germany 30 April 2021	2019: 2020: 2021: 2022#	N/A N/A EUR25,000 EUR25,000	N/A N/A (EUR25,000) (EUR25,000)	N/A	N/A	N/A	N/A	100%	N/A	100%	N/A	Research and development, production and sales of EV battery and ESS products
中創新航材料科技(四川)有限公司 CALB Material (Sichuan) Co., Ltd.* (“Materials Company”)	(c)	PRC 26 January 2022	2019: 2020: 2021: 2022#:	N/A N/A N/A RMB50 million	N/A N/A N/A (RMB50 million)	N/A	N/A	N/A	N/A	N/A	N/A	100%	N/A	Research and development, production and sales of EV battery materials

Name	Note	Place and date of establishments	Registered capital (paid-up amount)	Percentage of equity attributable to the Company										Principal activities
				At 31 December					At 31 March					
				2019		2020		2021		2022				
				Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect			
中創新航科技(福建)有限公司 CALB (Fujian) Co., Ltd.* (“Fujian Company”)	(c)	PRC 22 February 2022	2019: N/A 2020: N/A 2021: N/A 2022#: RMB2,500 million	N/A	N/A	N/A	N/A	N/A	N/A	51%	N/A	Research and development, production and sales of EV battery and ESS products		
中創新航科技(江門)有限公司 CALB (Jiangmen) Co., Ltd.* (“Jiangmen Company”)	(c)	PRC 23 February 2022	2019: N/A 2020: N/A 2021: N/A 2022#: RMB4,000 million	N/A	N/A	N/A	N/A	N/A	N/A	51%	N/A	Research and development, production and sales of EV battery and ESS products		

Notes:

- (a) The statutory financial statements for the year ended 31 December 2019 prepared under China Accounting Standards for Business Enterprises (“PRC GAAP”) were audited by PricewaterhouseCoopers, certified public accountants* (普華永道中天會計師事務所) registered in the PRC. The statutory financial statements for year ended 31 December 2020 and year/period ended 31 December 2021 prepared under PRC GAAP were audited by RSM China, certified public accountants (容誠會計師事務所) in the PRC.
- (b) No audited statutory financial statements were prepared since it is newly incorporated during the year ended 31 December 2021.
- (c) No audited statutory financial statements were prepared since they are newly incorporated during the three months ended 31 March 2022.
- (d) All companies comprising the Group have adopted 31 December as their financial year end date.

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It represents the amount as at 31 March 2022.

The Historical Financial Information has been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (the “IASB”). IFRSs comprise International Financial Reporting Standards (“IFRS”); International Accounting Standards (“IAS”); and Interpretations. The Historical Financial Information also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and by the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

3. ADOPTION OF NEW AND REVISED IFRSs

(a) Application of new and revised IFRSs

During the Track Record Period, the Group has consistently adopted all applicable new and revised IFRSs including *IFRS 16 Leases*, on or after 1 January 2019. The accounting policies have been applied consistently to all periods presented in the Historical Financial Information.

The Group has also applied the Amendments to References to the Conceptual Framework in IFRS Standards and the following amendments to IFRSs issued by the IASB for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020, 1 January 2021 and 1 January 2022 for the preparation of the Historical Financial Information:

Annual period beginning on or after 1 January 2020

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

Annual period beginning on or after 1 January 2021

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2
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Annual period beginning on or after 1 January 2022

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to IFRSs 2018-2020 Cycle	

In addition, the Group has early applied the Amendments to IFRS 16, COVID-19 Related Rent Concessions beyond 30 June 2021 and Amendments to IAS 16, Property, Plant and Equipment: Proceeds before Intended Use.

Except as described below, the application of the Amendments to References to the Conceptual Framework in IFRS Standards and the amendments to IFRSs had no material impact on the Group's financial positions and performance for the Track Record Period and/or on the disclosures set out in the Historical Financial Information.

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments had no impact on the Historical Financial Information.

Amendments to IFRS 3 Definition of a Business

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional “concentration test” that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The Group has applied the amendments prospectively to transactions for which the acquisition date is on or after 1 January 2020. The application of the amendments had no impact on the Historical Financial Information as similar conclusion would have been reached without applying the optional concentration test.

Amendment to IFRS 16, COVID-19-Related Rent Concessions beyond 30 June 2021

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic (“**COVID-19 Related Rent Concessions**”) are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19 Related Rent Concessions granted to the Group during the year ended 31 December 2020. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1 January 2020.

Amendments to IAS 16: Property, Plant and Equipment: Proceeds before Intended Use

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment ("PPE") the proceeds from selling items produced before that asset is available for use. Instead, the related sales proceeds together with the costs of providing these items as determined by IAS 2, are to be included in profit and loss.

An entity shall apply the amendments retrospectively, but only to items of PPE made available for use on or after the beginning of the earliest period presented in the Historical Financial Information in which the entity first applies the amendments.

The Group has elected to early adopt the amendment as from 1 January 2019. Consequently, the cumulative effect of initial application should be recognised as an adjustment to the opening balance of equity at 1 January 2019. There is no impact on the opening balance of equity at 1 January 2019.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, and the related interpretations, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC 15 Operating Leases-Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 introduced a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less and leases of low-value assets.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact on leases where the Group is the lessor. The lessor accounting requirements are brought forward from IAS 17 substantially unchanged.

IFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied IFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019.

Further details of the nature of the changes to previous accounting policies and the transition options applied are set out below:

(a) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under IFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(b) Lessee accounting and transitional impact

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets which are exempt.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied the incremental borrowing rates of the relevant group entities at the date of initial application.

To ease the transition to IFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of IFRS 16:

- (i) elected not to apply the requirements of IFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of IFRS 16, i.e. where the lease term ends on or before 31 December 2019;
- (ii) applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in a similar economic environment;
- (iii) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension options;
- (iv) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
- (v) relied on the assessment of whether leases are onerous by applying IAS 37 as an alternative to an impairment review.

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of consolidated financial position at 31 December 2018.

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

(b) New and revised IFRSs but not yet effective

Other than the amendments to IFRS 16, COVID-19 Related Rent Concessions beyond 30 June 2021 and IAS 16, Property, Plant and Equipment: Proceeds before Intended Use, the Group has not early applied new and revise IFRSs that have been issued but are not yet effective for the Track Record Period. These new and revised IFRSs include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
Amendments to IAS 1 Classification of Liabilities as Current or Non-Current	1 January 2023
Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements – Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12 Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
IFRS 17 Insurance Contracts	1 January 2023
Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has not identified any aspect of the new and revised standards which may have a significant impact on the Historical Financial Information.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. financial instruments that are measured at fair value).

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

The significant accounting policies applied in the preparation of the Historical Financial Information are set out below.

(a) Consolidation

The Historical Financial Information includes the financial statements of the Company and its subsidiaries for the Track Record Period. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

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

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

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

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

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

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

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

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment loss, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(b) Merger accounting for business combination under common control

The Historical Financial Information incorporates the financial statements items of the combining businesses in which the common control combination occurs as if the current group structure had always been in existence.

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

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

The consolidated statements of financial position have been prepared to present the assets and liabilities of the combining entities as if the Group structure as at 31 March 2022 had been in existence at the end of each reporting period. The net assets of the combining entities are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or gain on bargain purchase at the time of common control combination, to the extent of the continuation of the controlling party's interest.

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

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

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

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

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

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

(d) Associates

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

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

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

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

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

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

(e) Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Relevant activities are activities that significantly affect the returns of the arrangement. When assessing joint control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

A joint arrangement is either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The Group has assessed the type of each of its joint arrangements and determined them to all be joint ventures.

Investment in a joint venture is accounted for in the Historical Financial Information by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the joint venture in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of the investment over the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is recorded as goodwill, which is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

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

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

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

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

(f) Foreign currency translation

(i) Functional and presentation currency

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

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

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

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

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

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange reserve.

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

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

(g) Property, plant and equipment

Property, plant and equipment are stated in the Historical Financial Information at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

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

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

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

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

(h) Leases

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

The Group as a lessee

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

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

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

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

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

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

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

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

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

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

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

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

(b) Intangible assets acquired separately

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

Computer software	Not more than 10 years
Trademark	10 years
Patent	Not more than 10 years
Others	5 years

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

(j) Inventories

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

(k) Other contract costs

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

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

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

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

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

(l) Contract assets and contract liabilities

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

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

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

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

(m) Recognition and derecognition of financial instruments

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

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

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

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

(n) Financial assets

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

Debt investments

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

- Amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.
- Fair value through other comprehensive income (“FVTOCI”) – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.
- FVTPL if the investment does not meet the criteria for being measured at amortised cost or FVTOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Equity investments

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

(o) Trade and other receivables

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

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

(p) Cash and cash equivalents

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

(q) Financial liabilities and equity instruments

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

(r) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

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

(s) Financial guarantee contracts

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

- the amount determined in accordance with the ECL model under IFRS 9 and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

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

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

(t) Put Option Liability

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

(u) Trade and other payables

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

(v) Equity instruments

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

(w) Revenue and other income

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

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

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

Revenue from other sources

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

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

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

(x) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Medical benefits

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

(iii) Pension scheme – Mainland China

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

(iv) Housing fund – Mainland China

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

(v) Termination benefits

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

(y) Share-based payments

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

(z) Borrowing costs

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

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

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

(aa) Government grants

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

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

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

Government grants relating to the purchase of assets are recorded as deferred income and recognised in profit or loss on a straight-line basis over the useful lives of the related assets.

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

(bb) Taxation

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

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

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

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

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

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

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

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

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

(cc) Impairment of non-financial assets

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

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

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

(dd) Impairment of financial assets and contract assets

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

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

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

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

Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

- (i) the financial instrument has a low risk of default,
- (ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

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

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

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

Definition of default

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

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

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

Credit-impaired financial assets

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

- significant financial difficulty of the issuer or the counterparty;
- a breach of contract, such as a default or past due event;
- the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

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

Measurement and recognition of ECL

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

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

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

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

(ee) Provisions and contingent liabilities

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

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

(ff) Events after the reporting period

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

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES**Critical judgements in applying accounting policies**

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

(a) Distinction between investment properties and owner-occupied properties

Some properties comprise a portion that is held to earn rentals and another portion that is held for use in the production of goods. If these portions can be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production of goods. Judgement is applied in determining whether ancillary services are so significant that a property does not qualify as an investment property. The Group considers each property separately in making its judgement.

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

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

(c) Equity pick up of entity of less than 20% equity interest

Although the Group holds less than 20% of the equity interest of Cangzhou Mingzhu Lithiumion Battery Separator Co., Ltd. ("**Cangzhou Mingzhu**"), the directors considered that the Group has significant influence over Cangzhou Mingzhu because the Group is entitled to appoint one director out of the five directors of Cangzhou Mingzhu.

(d) Joint control assessment

The Group holds 51% of the equity interest of its joint arrangement of CADMA Drivetrain Tec Co., Ltd. The directors have determined that the Group has joint control over the arrangement as under the contractual agreement, as it appears that unanimous consent is required from all parties to the agreement for all relevant activities.

(e) Business model assessment

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

(f) Significant increase in credit risk

As explained in note 4(dd), ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.

(g) Determining the lease term

In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation.

Generally, periods covered by an extension option in other properties leases have not been included in the lease liability because the Group could replace the assets without significant cost or business disruption. See note 21 for further information.

The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. During the Track Record Period, no lease term has been reassessed.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

The carrying amounts of property, plant and equipment as at 31 December 2019, 31 December 2020, 31 December 2021 and 31 March 2022 were approximately RMB4,845,676,000, RMB8,566,468,000, RMB15,251,502,000 and RMB18,811,078,000 respectively.

The carrying amounts of right-of-use assets as at 31 December 2019, 31 December 2020, 31 December 2021 and 31 March 2022 were approximately RMB499,233,000, RMB546,008,000, RMB643,374,000 and RMB1,188,650,000 respectively.

(b) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than the expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise.

The carrying amount of goodwill as at 31 December 2019, 31 December 2020, 31 December 2021 and 31 March 2022 were approximately RMB140,097,000, RMB140,097,000, RMBNil and RMBNil respectively.

(c) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. During the years ended 31 December 2019, 31 December 2020, 31 December 2021, three months ended 31 March 2021 (unaudited) and three months ended 31 March 2022, income tax credit/(expense) of RMB28,112,000, RMB(22,625,000), RMB48,107,000, RMB(13,322,000) and RMB(68,769,000) were recognised respectively. Income tax credit/(expense) was recognised in profit or loss based on the estimated future assessable profits of a subsidiary of the Group and the expected tax rates applicable when those deferred tax reversal occurs.

(d) Impairment of trade receivables

The management of the Group estimates the amount of impairment loss for ECL on trade receivables based on the credit risk of trade receivables. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

As at 31 December 2019, 31 December 2020, 31 December 2021 and 31 March 2022, the carrying amounts of trade receivables were RMB500,158,000, RMB914,910,000, RMB2,106,368,000 and RMB3,515,217,000 (net of allowance of doubtful debts of RMB96,641,000, RMB119,614,000, RMB37,191,000 and RMB37,556,000), respectively.

(e) Impairment loss on deposits and other receivables

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the deposits and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts, in particular of a loss event, requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the prepayment, deposits and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

During the years ended 31 December 2019, 31 December 2020, 31 December 2021, the three months ended 31 March 2021 (unaudited) and 31 March 2022, RMB1,659,000, RMB1,281,000, RMB682,000, RMB(1,650,000) and RMB154,000 impairment loss/(reversal of impairment loss) on deposits and other receivables was recognised respectively.

(f) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the aging and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

For the year ended 31 December 2019, RMB120,920,000 allowance of slow-moving inventories was recognised. For the year ended 31 December 2020, RMB49,999,000 reversal of allowance of slow-moving inventories was recognised. For the year ended 31 December 2021, RMB90,088,000 allowance of slow-moving inventories was recognised.

For the three months ended 31 March 2021 (unaudited), RMB6,754,000 reversal of allowance of slow-moving inventories was recognised. For the three months ended 31 March 2022, RMB10,287,000 allowance of slow-moving inventories was recognised.

(g) Impairment of investments in associates using equity accounting

Management determines whether investments in associates have suffered any impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable, according to their recoverable amounts determined based on value in use calculations. The determination of impairment indication requires significant judgement, and the calculations of recoverable amount require the use of estimates which are subject to change of economic environment in future.

As at 31 December 2019, 31 December 2020, 31 December 2021 and 31 March 2022, the carrying amount of investments in associates using equity accounting were RMB61,917,000, RMB67,884,000, RMB1,104,966,000 and RMB16,964,000 respectively.

(h) Warranty provisions

As explained in Note 40, the Group makes product warranty provision based on its best estimate of the expected settlement under the sales agreements in respect of products sold which are still within the warranty period. The amount of provision takes into account the Group's recent claim experience, historical warranty data and a weighting of all possible outcomes against their associated probabilities. As the Group is continually upgrading its product designs and launching new models, it is possible that the recent claim experience is not indicative of future claims that it will receive in respect of past sales. Any increase or decrease in the provision would affect profit or loss in future years.

(i) *Estimated provisions for litigation claims*

The Group evaluates whether a present obligation exists under litigation claim after taking into account all available evidence, including the opinion of experts. A provision is recognised for litigation claim if the Directors consider it is more likely than not that present obligation exists and a reliable estimate can be made on the settlement amount of the claim. If it is more likely than not that no present obligation exists, the Group should disclose a contingent liability, unless the possibility of any transfer of economic benefits in settlement is remote. Details of the contingent liabilities of the Group are disclosed in note 48(b). As at the date of this report, the Directors are of the view that no provision shall necessarily be made on litigation claims after taking into account of the opinion of experts and status of the litigations.

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in RMB. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

At 31 December 2019, if the RMB had weakened/strengthened five per cent against United States Dollar with all other variables held constant, consolidated loss after tax for the year would have been RMB2,232,000 lower/higher, arising mainly as a result of the foreign exchange gain on bank balances and trade receivables denominated in United States Dollar.

At 31 December 2019, if the RMB had weakened/strengthened five per cent against Swiss Franc with all other variables held constant, consolidated loss after tax for the year would have been RMB1,606,000 lower/higher, arising mainly as a result of the foreign exchange gain on bank balances denominated in Swiss Franc.

At 31 December 2020, if the RMB had weakened/strengthened five per cent against United States Dollar with all other variables held constant, consolidated profit after tax for the year would have been RMB3,035,000 higher/lower, arising mainly as a result of the foreign exchange gain on bank balances and trade receivables denominated in United States Dollar.

At 31 December 2021, if the RMB had weakened/strengthened five per cent against United States Dollar with all other variables held constant, consolidated profit after tax for the year would have been RMB839,000 higher/lower, arising mainly as a result of the foreign exchange gain on bank balances and trade receivables denominated in United States Dollar.

At 31 March 2022, if the RMB had weakened/strengthened five per cent against United States Dollar with all other variables held constant, consolidated profit after tax for the year would have been RMB1,270,000 higher/lower, arising mainly as a result of the foreign exchange gain on bank balances and trade receivables denominated in United States Dollar.

No sensitivity analyses on the change of RMB against other currencies are prepared as the impact to the financial statements is insignificant.

(b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, and other financial instruments. The Group's exposure to credit risk arising from bank and cash balances, restricted bank balances and pledged bank deposits is limited because the counterparties are banks and financial institutions with high credit-rating assigned by international credit-rating agencies, for which the Group considers to have low credit risk.

Trade and bills receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are normally due within 90 days from the date of billing. Debtors with balances that are more than 6 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables at 31 December 2019, 2020 and 2021 and 31 March 2022:

As at 31 December 2019

	Current	0 – 180 days	Past due 181 – 365 days	Over 1 year	Individually Assessed	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Expected credit loss rate (%)	–	5%	10%	50%	100%	
Gross carrying amount	297,919	111,934	65,206	74,434	47,306	596,799
Expected credit losses	–	5,597	6,521	37,217	47,306	96,641

As at 31 December 2020

	Current	0 – 180 days	Past due 181 – 365 days	Over 1 year	Individually Assessed	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Expected credit loss rate (%)	–	5%	10%	50%	100%	
Gross carrying amount	578,801	315,094	12,338	51,332	76,959	1,034,524
Expected credit losses	–	15,755	1,234	25,666	76,959	119,614

As at 31 December 2021

	Current	0 – 180 days	Past due 181 – 365 days	Over 1 year	Individually Assessed	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Expected credit loss rate (%)	–	5%	10%	50%	4.99%	
Gross carrying amount	1,429,484	3,098	20,121	1,156	689,700	2,143,559
Expected credit losses	–	155	2,012	578	34,446	37,191

As at 31 March 2022

	Current	0 – 180 days	Past due 181 – 365 days	Over 1 year	Individually Assessed	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Expected credit loss rate (%)	–	5%	10%	50%	4.38%	
Gross carrying amount	2,800,073	150,803	6,888	7,115	587,894	3,552,773
Expected credit losses	–	7,540	689	3,558	25,769	37,556

Expected credit loss rates are based on actual loss experience over the past 1 year and are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. Throughout the Track Record Period, the historical credit loss experience of the customers of the Group, the forward-looking factors specific to the debtors and the economic environment remains no significant change. As such, expected credit loss rates (except for those assessed individually) throughout the Track Record Period remains the same.

Movement in the loss allowance account in respect of trade receivables is as follows:

	RMB'000
At 1 January 2019	2,496
Acquisition of subsidiaries	58,843
Impairment losses recognised for the year, net	35,418
Amounts written off during the year	(116)
At 31 December 2019 and 1 January 2020	96,641
Impairment losses recognised for the year, net	23,351
Amounts written off during the year	(378)
At 31 December 2020 and 1 January 2021	119,614
Impairment losses recognised for the year, net	26,600
Disposal of subsidiaries	(109,023)
At 31 December 2021 and 1 January 2022	37,191
Impairment losses recognised for the period, net	365
Amounts written off during the period	–
At 31 March 2022	37,556

The ECLs for bills receivables, which are all bank acceptance bills, approximates to zero. Those banks who issue bank acceptance bills are creditworthy banks with no recent history of default.

Financial assets at amortised cost

All of the Group's financial assets at amortised cost, other than trade and bills receivables, are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12-month expected losses.

Financial assets at amortised cost include deposits and other receivables and amounts due from related parties.

Movement in the loss allowance for financial assets at amortised cost is as follows:

	Deposits and other receivables <i>RMB'000</i>
As at 1 January 2019	1,215
Acquisition of subsidiaries	2,572
Impairment losses recognised for the year	1,659
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At 31 December 2019 and 1 January 2020	5,446
Impairment losses recognised for the year	1,281
	<hr/>
At 31 December 2020 and 1 January 2021	6,727
Disposal of subsidiaries	(2,730)
Impairment losses recognised for the year	682
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At 31 December 2021 and 1 January 2022	4,679
Impairment losses recognised for the period	154
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At 31 March 2022	4,833
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(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis based on contractual undiscounted cash flows of the Group's financial liabilities is as follows:

	Less than 1 year <i>RMB'000</i>	Between 2 to 5 years <i>RMB'000</i>	More than 5 years <i>RMB'000</i>	Total <i>RMB'000</i>
At 31 December 2019				
Trade and bills payables	2,036,979	–	–	2,036,979
Accruals and other payables	636,926	–	–	636,926
Amounts due to related parties	704,298	–	–	704,298
Lease liabilities	23,650	74,044	–	97,694
Bank borrowings	646,856	256,815	–	903,671
Other loans	186,517	180,993	–	367,510
At 31 December 2020				
Trade and bills payables	2,656,718	–	–	2,656,718
Accruals and other payables	1,486,008	–	–	1,486,008
Amounts due to related parties	24,558	–	–	24,558
Lease liabilities	5,872	5,872	–	11,744
Bank borrowings	710,496	150,992	–	861,488
Other loans	72,397	230,766	–	303,163
At 31 December 2021				
Trade and bills payables	6,316,866	–	–	6,316,866
Accruals and other payables	2,097,373	–	–	2,097,373
Amounts due to related parties	22,864	–	–	22,864
Lease liabilities	12,221	16,449	–	28,670
Bank borrowings	131,267	2,349,457	963,313	3,444,037
Financial guarantees	12,354	–	–	12,354
Put option liabilities	941,132	–	–	941,132

	Less than 1 year <i>RMB'000</i>	Between 2 to 5 years <i>RMB'000</i>	More than 5 years <i>RMB'000</i>	Total <i>RMB'000</i>
At 31 March 2022				
Trade and bills payables	8,258,770	–	–	8,258,770
Accruals and other payables	2,570,485	–	–	2,570,485
Amounts due to related parties	38,877	–	–	38,877
Lease liabilities	22,086	62,892	33,820	118,798
Bank borrowings	301,705	3,970,019	1,468,583	5,740,307
Financial guarantees	10,719	–	–	10,719
Put option liabilities	2,512,229	–	–	2,512,229

(d) Interest rate risk

The Group's exposure to interest-rate risk mainly arises from its bank deposits, bank borrowings. These deposits and borrowings bear interests at variable rate varied with the prevailing market condition.

At 31 December 2019, if interest rates at that date had been 100 basis points higher with all other variables held constant, consolidated loss after tax for the year would have been RMB7,315,000 lower, arising mainly as a result of higher interest income on bank deposits net of higher interest expenses on bank borrowings. If interest rates had been 100 basis points lower, with all other variables held constant, consolidated loss after tax for the year would have been RMB7,315,000 higher, arising mainly as a result of lower interest income on bank deposits net of lower interest expenses on bank borrowings.

At 31 December 2020, if interest rates at that date had been 100 basis points higher with all other variables held constant, consolidated loss after tax for the year would have been RMB13,043,000 lower, arising mainly as a result of higher interest income on bank deposits net of higher interest expenses on bank borrowings. If interest rates had been 100 basis points lower, with all other variables held constant, consolidated loss after tax for the year would have been RMB13,043,000 higher, arising mainly as a result of lower interest income on bank deposits net of lower interest expenses on bank borrowings.

At 31 December 2021, if interest rates at that date had been 100 basis points higher with all other variables held constant, consolidated profit after tax for the year would have been RMB38,778,000 higher, arising mainly as a result of higher interest income on bank deposits net of higher interest expenses on bank borrowings. If interest rates had been 100 basis points lower, with all other variables held constant, consolidated profit after tax for the year would have been RMB38,778,000 lower, arising mainly as a result of lower interest income on bank deposits net of lower interest expenses on bank borrowings.

At 31 March 2022, if interest rates at that date had been 100 basis points higher with all other variables held constant, consolidated profit after tax for the year would have been RMB19,237,000 higher, arising mainly as a result of higher interest income on bank deposits net of higher interest expenses on bank borrowings. If interest rates had been 100 basis points lower, with all other variables held constant, consolidated profit after tax for the year would have been RMB19,237,000 lower, arising mainly as a result of lower interest income on bank deposits net of lower interest expenses on bank borrowings.

(e) Categories of financial instruments

	As at 31 December			As at
	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Financial assets:				
Financial assets measured at amortised cost	2,757,699	3,638,951	9,056,505	11,723,937
Financial assets at FVTPL	89,726	1,002,420	3,713,705	518,868
Financial assets at FVTOCI	–	1,601,269	2,468,870	2,488,009
Financial liabilities:				
Financial liabilities at amortised cost	4,677,261	5,279,247	11,354,501	15,996,909
Financial guarantees	–	–	12,354	10,719
Financial liabilities at FVTPL	–	–	941,132	2,512,229

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statements of financial position approximate their respective fair values.

(g) Transfers of financial assets

The following were the Group's financial assets as at 31 December 2019, 31 December 2020, 31 December 2021 and 31 March 2022 that were transferred to banks or suppliers by discounting those receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing (note 38). These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

As at 31 December 2019

	Bills receivables discounted to banks with full recourse RMB'000
Carrying amount of transferred assets	326,140
Carrying amount of associated liabilities	326,140
Net position	–

As at 31 December 2020

	Bills receivables discounted to banks with full recourse RMB'000
Carrying amount of transferred assets	40,423
Carrying amount of associated liabilities	40,423
Net position	–

As at 31 December 2021

	Bills receivables discounted to banks with full recourse RMB'000
Carrying amount of transferred assets	—
Carrying amount of associated liabilities	—
	<hr/>
Net position	—
	<hr/> <hr/>

As at 31 March 2022

	Bills receivables discounted to banks with full recourse RMB'000
Carrying amount of transferred assets	200,000
Carrying amount of associated liabilities	200,000
	<hr/>
Net position	—
	<hr/> <hr/>

7. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

- Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosures of level in fair value hierarchy:

	Fair value measurements using:			As at
	Level 1	Level 2	Level 3	31 December
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
Recurring fair value measurements:				
Financial assets				
Financial assets at FVTPL				
– Investments in wealth management product	–	89,726	–	89,726

	Fair value measurements using:			As at
	Level 1	Level 2	Level 3	31 December
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
Recurring fair value measurements:				
Financial assets				
Financial assets at FVTOCI				
– Certificate of deposit	–	1,601,269	–	1,601,269
Financial assets at FVTPL				
– Investments in commodity linked structural products	–	1,002,420	–	1,002,420
	–	2,603,689	–	2,603,689

	Fair value measurements using:			As at
	Level 1	Level 2	Level 3	31 December
	RMB'000	RMB'000	RMB'000	2021
				RMB'000
Recurring fair value measurements:				
Financial assets				
Financial assets at FVTOCI				
– Certificate of deposit	–	2,468,870	–	2,468,870
Financial assets at FVTPL				
– Investments in commodity linked structural products	–	3,713,705	–	3,713,705
	–	6,182,575	–	6,182,575

Financial liabilities at FVTPL				
– Put option liabilities	–	–	941,132	941,132

	Fair value measurements using:			As at
	Level 1	Level 2	Level 3	31 March
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
<u>Recurring fair value measurements:</u>				
<u>Financial assets</u>				
Financial assets at FVTOCI				
– Certificate of deposit	–	2,488,009	–	2,488,009
Financial assets at FVTPL				
– Investments in commodity linked structural products	–	402,103	–	402,103
– Investments in listed equity security	116,765	–	–	116,765
	<u>116,765</u>	<u>–</u>	<u>–</u>	<u>116,765</u>
	<u>116,765</u>	<u>2,890,112</u>	<u>–</u>	<u>3,006,877</u>
Financial liabilities at FVTPL				
– Put option liabilities	–	–	2,512,229	2,512,229
	<u>–</u>	<u>–</u>	<u>2,512,229</u>	<u>2,512,229</u>

(b) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements:

The Group's financial controller is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The financial controller reports directly to the Directors for these fair value measurements. Discussions of valuation processes and results are held between the financial controller and the Directors at least once a year.

Level 3 fair value measurements – Put option liabilities classified as financial liabilities at FVTPL

Description	Valuation technique	Unobservable inputs	Relationship between unobservable inputs and fair value measurement	Fair value – liabilities As at 31 December 2021 RMB'000
Written put option to non-controlling shareholders of subsidiaries	Discounted cash flows	Weighted average cost of capital (10.3%)	The estimated fair value would decrease (increase) if the weighted average cost of capital were higher (lower). 1% addition (reduction) of the weighted average cost of capital would result in decrease (increase) in estimated fair value by approximately RMB46 million (RMB49 million).	
		Internal rate of return of underlying projects (12% to 13%)	The estimated fair value would increase (decrease) if the internal rate of return of underlying projects were lower (higher). 1% addition (reduction) of internal rate of return of underlying projects would result in increase (decrease) in estimated fair value by RMB49 million (RMB47 million).	
				<u>941,132</u>

				Fair value – liabilities
				As at
				31 March
				2022
				RMB'000
Description	Valuation technique	Unobservable inputs	Relationship between unobservable inputs and fair value measurement	
Written put option to non-controlling shareholders of subsidiaries	Discounted cash flows	Weighted average cost of capital (10.5%)	The estimated fair value would decrease (increase) if the weighted average cost of capital were higher (lower). 1% addition (reduction) of the weighted average cost of capital would result in decrease (increase) in estimated fair value by approximately RMB130 million (RMB138 million).	
		Internal rate of return of underlying projects (11.4% to 13.5%)	The estimated fair value would increase (decrease) if the internal rate of return of underlying projects were lower (higher). 1% addition (reduction) of internal rate of return of underlying projects would result in increase (decrease) in estimated fair value by RMB139 million (RMB133 million).	
				2,512,229

During the Track Record Period, there were no changes in the valuation techniques used.

8. REVENUE

(a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service line for the Track Record Period is as follows:

	Year ended 31 December			Three months ended 31 March	
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2021 RMB'000 (unaudited)	2022 RMB'000
Revenue from contracts with customers within the scope of IFRS 15					
Sales of EV battery	1,409,888	2,499,300	6,065,200	960,957	3,691,182
Sales of ESS products	181,166	238,181	446,080	74,634	100,129
Others	142,778	87,938	305,835	27,601	105,779
	<u>1,733,832</u>	<u>2,825,419</u>	<u>6,817,115</u>	<u>1,063,192</u>	<u>3,897,090</u>

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines and geographical regions:

	Sales of EV battery			Sales of ESS products			Others			Total	
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000	2021 RMB'000
For the year ended 31 December											
Primary geographical markets											
– Mainland China	1,341,586	2,422,543	5,970,264	122,278	174,552	367,889	142,778	87,938	305,611	1,606,642	2,685,033
– Europe	28,937	36,814	40,737	29,348	21,515	26,406	–	–	18	58,285	58,329
– Asia	39,001	39,741	44,307	–	–	9	–	–	55	39,001	39,741
– America	331	173	9,853	28,858	41,202	51,649	–	–	151	29,189	41,375
– Others	33	29	39	682	912	127	–	–	–	715	941
Revenue from external customers	1,409,888	2,499,300	6,065,200	181,166	238,181	446,080	142,778	87,938	305,835	1,733,832	2,825,419
Timing of revenue recognition											
Products transferred at a point in time	1,409,888	2,499,300	6,065,200	181,166	238,181	446,080	141,043	83,217	300,994	1,732,097	2,820,698
Products and services transferred over time	–	–	–	–	–	–	1,735	4,721	4,841	1,735	4,721
Total	1,409,888	2,499,300	6,065,200	181,166	238,181	446,080	142,778	87,938	305,835	1,733,832	2,825,419
For the three months ended 31 March											
Primary geographical markets											
– Mainland China	939,405	3,648,321	83,612	43,827	27,601	105,779	1,010,833	3,837,712	1,010,833	10,441	12,225
– Europe	6,851	6,605	5,620	3,590	–	–	–	–	–	11,767	24,796
– Asia	11,758	24,673	123	9	–	–	–	–	–	30,112	22,357
– America	2,904	11,583	10,774	27,208	–	–	–	–	–	39	–
– Others	39	–	–	–	–	–	–	–	–	–	–
Revenue from external customers	960,957	3,691,182	100,129	74,634	27,601	105,779	1,063,192	3,897,090	1,063,192	3,897,090	3,897,090
Timing of revenue recognition											
Products transferred at a point in time	960,957	3,691,182	100,129	74,634	27,234	105,779	1,062,825	3,897,090	1,062,825	367	–
Products and services transferred over time	–	–	–	–	367	–	–	–	–	–	–
Total	960,957	3,691,182	100,129	74,634	27,601	105,779	1,063,192	3,897,090	1,063,192	3,897,090	3,897,090

(b) Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at year end and the expected timing of recognising revenue as follows:

	As at 31 December			Three months ended 31 March	
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2021 RMB'000 (unaudited)	2022 RMB'000
Within 1 year	26,585	32,014	106,918	13,447	134,162

9. INVESTMENT AND OTHER INCOME

During the Track Record Period, the Group recognised investment and other income as follow:

	Year ended 31 December			Three months ended 31 March	
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2021 RMB'000 (unaudited)	2022 RMB'000
Interest income on:					
Bank deposits	17,580	22,056	66,882	12,475	20,698
Financial assets at FVTOCI	337	5,653	105,384	15,834	41,576
Total interest income	17,917	27,709	172,266	28,309	62,274
Compensation from suppliers	237	1,120	1,520	640	205
Insurance compensation income	47	1,306	997	84	70
Others	461	1,509	1,464	69	255
	18,662	31,644	176,247	29,102	62,804

10. GOVERNMENT GRANTS AND SUBSIDIES

During the Track Record Period, the Group recognised government grants and subsidies as follow:

	Year ended 31 December			Three months ended 31 March	
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2021 RMB'000 (unaudited)	2022 RMB'000
Related to assets					
Research and development subsidies (note (a))	14,848	22,396	19,855	5,599	1,825
Subsidies on industry development (note (b))	6,976	12,342	8,924	2,752	267
Others	3,321	4,068	4,345	1,095	1,044
Related to income					
Research and development subsidies (note (c))	–	71,387	186,002	30,000	103,490
Subsidies on employee stability (note (d))	6,722	10,477	288	–	62
Subsidies on recruitment (note (e))	1,090	1,382	6,231	183	–
Subsidies on industry development (note (f))	248,870	6,821	135,690	6,200	43,440
Others	26,768	5,988	3,174	786	943
	308,595	134,861	364,509	46,615	151,071

Notes:

- (a) The items represent subsidies obtained from the government for the development of battery projects, and the subsidy income is released to profit over the expected useful life of relevant assets.
- (b) The items represent subsidies obtained from the government for boosting the industry development, and the subsidy income is released to profit over the expected useful life of relevant assets.
- (c) The items represent corporate R&D subsidies from the government. The compensation for relevant expenditures incurred during the reporting periods were recognised as government subsidies in the consolidated statement of profit or loss.
- (d) The items represent subsidies from the government for maintaining employee stability. The compensation for relevant expenditures incurred during the reporting periods were recognised as government subsidies in the consolidated statement of profit or loss.
- (e) The items represent recruitment subsidies from the government. The compensation for relevant expenditures incurred during the reporting periods were recognised as government subsidies in the consolidated statement of profit or loss.
- (f) The items represent subsidies from the government for boosting the industry development. The same amounts as relevant expenditures incurred during the reporting periods were recognised as government subsidies in the consolidated statement of profit or loss.

The Group received government grants and subsidies from related entities of Government of Jintan District of approximately RMB224 million for the year ended 31 December 2019, approximately RMB78 million for the year ended 31 December 2020, approximately RMB142 million for the year ended 31 December 2021, approximately RMB40 million (unaudited) for the three-month period ended 31 March 2021 and approximately RMB66 million for the three-month period ended 31 March 2022.

11. OTHER GAINS AND (LOSSES), NET

	Year ended 31 December			Three months ended 31 March	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Fair value change in financial assets at FVTPL	726	2,419	13,705	–	5,162
Fair value change in financial guarantees	–	–	1,755	–	1,635
Fair value change in put option liabilities	–	–	(14,512)	–	(19,827)
Loss on disposal of associates	–	–	–	–	(503)
Gain on disposal of subsidiaries – Luoyang Company (note 47(b))	–	–	347,240	–	–
Impairment loss on investment in associate – Luoyang Company (note 25(c))	–	–	(178,700)	–	–
Impairment losses on property, plant and equipment	(18,660)	–	–	–	–
Impairment losses on intangible asset	–	–	(15)	–	–
(Allowance)/reversal of allowance for inventories	(120,920)	49,999	(90,088)	6,754	(10,287)
Net foreign exchange (losses)/gains	(1,252)	(251)	(361)	1,228	(1,268)
Net (loss)/gain on disposals of property, plant and equipment	(1,902)	7,417	(25)	(773)	–
Net gain on early termination of lease	–	2,322	–	–	–
Net loss on lease modification	–	–	–	–	(1,132)
Reversal of share of profit of an associate – Luoyang Company (note 25(e))	–	–	–	–	(14,775)
	(142,008)	61,906	78,999	7,209	(40,995)

12. SEGMENT INFORMATION

The Group has carried on a single business in a single geographical location, which is the design, research and development, production and sales of EV batteries and ESS products in the PRC, and all the assets are substantially located in the PRC. Accordingly, there is only one single business reportable segment which is regularly reviewed by the chief operating decision maker.

Revenue from major customers:

	Year ended 31 December			Three months ended 31 March	
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2021 RMB'000 (unaudited)	2022 RMB'000
Customer G	461,189	1,557,502	3,537,094	660,797	1,207,594
Customer C*	686,371	582,762	946,661	173,745	N/A
Customer X [#]	N/A	N/A	N/A	N/A	1,066,850
Customer L [#]	N/A	N/A	N/A	N/A	471,760

* Revenue from this customer amounted to less than 10% of the total revenue of the Group for the period ended 31 March 2022.

Revenue from these customers amounted to less than 10% of the total revenue of the Group for the years ended 31 December 2019, 2020 and 2021 and for the period ended 31 March 2021.

13. FINANCE COSTS

	Year ended 31 December			Three months ended 31 March	
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2021 RMB'000 (unaudited)	2022 RMB'000
Interest expenses on lease liabilities (<i>note 21</i>)	2,167	2,552	695	128	897
Interest on bank borrowings	19,304	31,072	81,119	7,456	40,926
Interest on other loans	5,110	15,804	6,717	3,120	—
Interest on loan from a subsidiary of a shareholder	6,686	1,112	—	—	—
Interest on loan from a shareholder	7,908	6,825	—	—	—
Total borrowing costs	41,175	57,365	88,531	10,704	41,823
Amount capitalised	—	—	(63,556)	(847)	(39,520)
	<u>41,175</u>	<u>57,365</u>	<u>24,975</u>	<u>9,857</u>	<u>2,303</u>

14. INCOME TAX CREDIT/(EXPENSE)

Income tax credit/(expense) has been recognised in profit or loss as follows:

	Year ended 31 December			Three months ended	
	2019	2020	2021	31 March 2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Current tax – the PRC					
Provision for the year/period	–	–	(220,352)	–	(38,288)
Current tax – Germany					
Provision for the year/period	–	–	–	–	(1,087)
Deferred tax (<i>note 41</i>)	28,112	(22,625)	268,459	(13,322)	(29,394)
	<u>28,112</u>	<u>(22,625)</u>	<u>48,107</u>	<u>(13,322)</u>	<u>(68,769)</u>

Under the relevant income tax law, the PRC subsidiaries are subject to Enterprise Income Tax (“EIT”) at a statutory rate of 25% on their respective taxable income during the year.

Certain subsidiaries operating in Mainland China were approved to be high and new technology enterprises and were entitled to a reduced EIT rate of 15%. The high and new technology enterprises certificates need to be renewed every three years so as to enable those subsidiaries to enjoy the reduced EIT rate of 15%.

The reconciliation between the income tax credit and the product of (loss)/profit before tax multiplied by the PRC EIT rate is as follows:

	Year ended 31 December			Three months ended	
	2019	2020	2021	31 March 2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
(Loss)/profit before tax	(184,513)	4,297	63,433	73,476	126,786
Tax at the PRC Enterprise Income					
Tax rate of 15%	(27,677)	645	9,515	11,021	19,018
Tax effect of expenses that are not deductible	2,670	1,391	9,047	61	17,579
Tax effect of income that are not taxable	–	(990)	(35,887)	(465)	–
Tax effect of tax exemption	–	–	–	–	(2,097)
Tax effect of super deduction of qualified research and development expenditure	(8,575)	(26,238)	(86,153)	(12,687)	(10,747)
Tax effect of temporary differences not recognised	990	310	5,995	804	2,349
Tax effect of tax losses not recognised	6,302	49,614	69,500	16,309	9,748
Tax effect of utilisation of tax losses not previously recognised	(789)	–	–	–	(14)
Effect of different tax rates of subsidiaries	(1,033)	(2,107)	(20,124)	(1,721)	32,933
Income tax (credit)/expense	<u>(28,112)</u>	<u>22,625</u>	<u>(48,107)</u>	<u>13,322</u>	<u>68,769</u>

15. (LOSS)/PROFIT FOR THE TRACK RECORD PERIOD

The Group's (loss)/profit for the Track Record Period are stated after charging/(crediting) the following:

	Year ended 31 December			Three months ended	
	2019	2020	2021	31 March 2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Allowance/(reversal of allowance) for inventories (<i>note 11</i>)	120,920	(49,999)	90,088	(6,754)	10,287
Amortisation of intangible assets (<i>note 23</i>)	56,727	72,308	83,431	18,997	38,492
Cost of inventories sold	1,650,574	2,440,745	6,438,837	922,607	3,576,161
Depreciation of property, plant and equipment (<i>note 20</i>)	203,124	214,576	453,486	89,672	138,085
Depreciation of right-of-use assets (<i>note 21</i>)	17,163	29,583	20,708	4,364	11,134
Net loss/(gain) on disposals of property, plant and equipment (<i>note 11</i>)	1,902	(7,417)	25	773	–
Net gain on early termination of lease (<i>note 11</i>)	–	(2,322)	–	–	–
Net loss on lease modification	–	–	–	–	1,132
Reversal of share of profit of an associate	–	–	–	–	14,775
Impairment losses on property, plant and equipment (<i>note 11</i>)	18,660	–	–	–	–
Impairment losses on intangible assets (<i>note 11</i>)	–	–	15	–	–
Impairment losses/(reversal of impairment loss) on trade and bills receivables	35,418	23,351	26,600	(3,964)	365
Impairment losses/(reversal of impairment loss) on prepayments, deposits and other receivables	1,659	1,281	682	(1,650)	154

16. EMPLOYEE BENEFITS EXPENSES

	Year ended 31 December			Three months ended	
	2019	2020	2021	31 March 2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Employee benefits expense (including Directors' emoluments):					
Salaries, bonuses and allowances	220,653	406,491	635,987	107,845	198,667
Equity-settled share-based payments	8,625	20,440	29,284	7,221	10,019
Retirement benefit scheme contributions	14,181	15,662	34,238	7,035	9,968
	243,459	442,593	699,509	122,101	218,654

Five highest paid individuals

The five highest paid individuals in the Group for the Track Record Period included one, two, two, two, two directors of the Company for the years ended 31 December 2019, 2020 and 2021 and three months ended 31 March 2021 (unaudited) and 2022 respectively, whose emoluments are reflected in the analysis presented in note 17(a). The emoluments of the remaining four, three, three, three, three individuals for the years ended 31 December 2019, 2020 and 2021 and three months ended 31 March 2021 (unaudited) and 2022 respectively, are set out below:

	Year ended 31 December			Three months ended 31 March	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Basic salaries and allowances	6,110	15,192	15,258	1,633	1,639
Equity-settled share-based payments	8,194	19,418	27,820	6,860	9,518
Retirement benefit scheme contributions	167	76	174	49	54
	<u>14,471</u>	<u>34,686</u>	<u>43,252</u>	<u>8,542</u>	<u>11,211</u>

Five highest paid individuals

The emoluments fell with the following band:

	Number of individuals			Three months ended 31 March	
	Years ended 31 December	2020	2021	2021	2022
	2019			(unaudited)	
RMB500,001 to RMB1,000,000	–	–	–	1	1
RMB1,000,001 to RMB1,500,000	–	–	–	2	–
RMB1,500,001 to RMB2,000,000	2	–	–	1	2
RMB2,000,001 to RMB2,500,000	1	–	–	–	1
RMB2,500,001 to RMB3,000,000	1	1	–	–	–
RMB3,000,001 to RMB3,500,000	–	–	1	–	–
RMB3,500,001 to RMB4,000,000	–	–	–	1	–
RMB4,500,001 to RMB5,000,000	–	–	–	–	1
RMB5,500,001 to RMB6,000,000	1	2	–	–	–
RMB7,000,001 to RMB7,500,000	–	1	2	–	–
RMB8,500,001 to RMB9,000,000	–	–	1	–	–
RMB13,000,001 to RMB13,500,000	–	1	–	–	–
RMB16,500,001 to RMB17,000,000	–	–	1	–	–
	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

During the Track Record Period, no emoluments were paid by the Group to any of the Directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

17. BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS

(a) Directors' and supervisors' emoluments

Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking								Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	Total
Fees	Salaries and allowances	Discretionary bonus	(Note i) Estimated money value of other benefits	Employer's contribution to a retirement benefit scheme	Remunerations paid or receivable in respect of accepting office as director	Housing allowance			
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<u>Chairwoman</u>									
Ms. Liu Jingyu (劉靜瑜女士)	–	2,321	–	3,450	36	–	–	–	5,807
<u>Executive directors</u>									
Mr. Wang Dongliang (王棟梁先生) (note (ii))	–	217	–	–	12	–	–	–	229
Mr. Wang Chongling (王崇嶺先生) (note (iii))	–	675	–	–	–	–	–	–	675
<u>Non-Executive directors</u>									
Mr. Zhang Guoqing (張國慶先生) (note (iv))	–	–	–	–	–	–	–	–	–
Mr. Zhou Sheng (周勝先生)	–	–	–	–	–	–	–	–	–
Mr. Li Yunxiang (李雲祥先生) (note (iv))	–	–	–	–	–	–	–	–	–
Ms. Ju Meina (巨美娜女士) (note (vi))	–	–	–	–	–	–	–	–	–
<u>Supervisors</u>									
Ms. Cheng Yan (程雁女士) (note (v))	–	–	–	–	–	–	–	–	–
Mr. Zhao Chao (趙超先生) (note (vii))	–	267	56	–	6	–	–	–	329
Mr. Shi Rongsheng (史榮生先生) (note (viii))	–	–	–	–	–	–	–	–	–
<u>Total for year ended</u>									
31 December 2019	–	3,480	56	3,450	54	–	–	–	7,040

None of the directors waived any emoluments during the Track Record Period.

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking							Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	Total
	Fees	Salaries and allowances	Discretionary bonus	(Note i) Estimated money value of other benefits	Employer's contribution to a retirement benefit scheme	Remunerations paid or receivable in respect of accepting office as director	Housing allowance		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<u>Chairwoman</u>									
Ms. Liu Jingyu (劉靜瑜女士)	–	2,571	2,495	8,176	8	–	–	–	13,250
<u>Executive directors</u>									
Mr. Dai Ying (戴穎先生) (note (ix))	–	914	1,949	3,066	8	–	–	–	5,937
<u>Non-Executive directors</u>									
Mr. Zhang Guoqing (張國慶先生) (note (iv))	–	–	–	–	–	–	–	–	–
Mr. Zhou Sheng (周勝先生)	–	–	–	–	–	–	–	–	–
Mr. Li Yunxiang (李雲祥先生) (note (iv))	–	–	–	–	–	–	–	–	–
Ms. Ju Meina (巨美娜女士) (note (vi))	–	–	–	–	–	–	–	–	–
<u>Supervisors</u>									
Mr. Jiang Jinhua (姜金華先生) (note (xi))	–	–	–	–	–	–	–	–	–
Ms. Cheng Yan (程雁女士) (note (v))	–	–	–	–	–	–	–	–	–
Ms. Nian Mingzhu (念明珠女士) (note (x))	–	45	15	–	1	–	–	–	61
Mr. Zhao Chao (趙超先生) (note (vii))	–	255	16	–	5	–	–	–	276
Mr. Shi Rongsheng (史榮生先生) (note (viii))	–	–	–	–	–	–	–	–	–
Total for year ended 31 December 2020	–	3,785	4,475	11,242	22	–	–	–	19,524

Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking								Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	Total
Fees	Salaries and allowances	Discretionary bonus	(Note i) Estimated money value of other benefits	Employer's contribution to a retirement benefit scheme	Remunerations paid or receivable in respect of accepting office as director	Housing allowance			
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Chairwoman									
Ms. Liu Jingyu (劉靜瑜女士)	–	2,580	2,495	11,714	39	–	–	16,828	
Executive directors									
Mr. Dai Ying (戴穎先生) (note (ix))	–	928	1,948	4,393	39	–	–	7,308	
Non-Executive directors									
Mr. Zhang Guoqing (張國慶先生) (note (iv))	–	–	–	–	–	–	–	–	
Mr. Zhou Sheng (周勝先生)	–	–	–	–	–	–	–	–	
Mr. Li Yunxiang (李雲祥先生) (note (iv))	–	–	–	–	–	–	–	–	
Supervisors									
Mr. Jiang Jinhua (姜金華先生) (note (xi))	–	–	–	–	–	–	–	–	
Ms. Cheng Yan (程雁女士) (note (v))	–	–	–	–	–	–	–	–	
Ms. Nian Mingzhu (念明珠女士) (note (x))	–	196	26	–	19	–	–	241	
Mr. Shi Rongsheng (史榮生先生) (note (viii))	–	–	–	–	–	–	–	–	
Total for year ended 31 December 2021									
–	3,704	4,469	16,107	97	–	–	–	24,377	

Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking								Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	Total
Fees		Salaries and allowances	Discretionary bonus	(Note i) Estimated money value of other benefits	Employer's contribution to a retirement benefit scheme	Remunerations paid or receivable in respect of accepting office as director	Housing allowance		
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<u>Chairwoman</u>									
Ms. Liu Jingyu (劉靜瑜女士)	-	645	-	2,888	9	-	-	-	3,542
<u>Executive directors</u>									
Mr. Dai Ying (戴穎先生) (note ix)	-	232	-	1,083	9	-	-	-	1,324
<u>Non-Executive directors</u>									
Mr. Zhang Guoqing (張國慶先生) (note iv)	-	-	-	-	-	-	-	-	-
Mr. Zhou Sheng (周勝先生)	-	-	-	-	-	-	-	-	-
Mr. Li Yunxiang (李雲祥先生) (note iv)	-	-	-	-	-	-	-	-	-
<u>Supervisors</u>									
Mr. Jiang Jinhua (姜金華先生) (note xi)	-	-	-	-	-	-	-	-	-
Ms. Cheng Yan (程雁女士) (note v)	-	-	-	-	-	-	-	-	-
Ms. Nian Mingzhu (念明珠女士) (note x)	-	48	-	-	4	-	-	-	52
Mr. Shi Rongsheng (史榮生先生) (note viii)	-	-	-	-	-	-	-	-	-
Total for period ended 31 March 2021	-	925	-	3,971	22	-	-	-	4,918

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking							Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	Total
	Fees	Salaries and allowances	Discretionary bonus	(Note i) Estimated money value of other benefits	Employer's contribution to a retirement benefit scheme	Remunerations paid or receivable in respect of accepting office as director	Housing allowance		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chairwoman									
Ms. Liu Jingyu (劉靜瑜女士)	–	646	–	4,007	11	–	–	–	4,664
Executive directors									
Mr. Dai Ying (戴穎先生) (note ix)	–	232	–	1,503	11	–	–	–	1,746
Non-Executive directors									
Mr. Zhang Guoqing (張國慶先生) (note iv)	–	–	–	–	–	–	–	–	–
Mr. Zhou Sheng (周勝先生)	–	–	–	–	–	–	–	–	–
Mr. Li Yunxiang (李雲祥先生) (note iv)	–	–	–	–	–	–	–	–	–
Supervisors									
Mr. Jiang Jinhua (姜金華先生) (note xi)	–	–	–	–	–	–	–	–	–
Ms. Cheng Yan (程雁女士) (note v)	–	–	–	–	–	–	–	–	–
Ms. Nian Mingzhu (念明珠女士) (note x)	–	50	–	–	6	–	–	–	56
Total for period ended 31 March 2022	–	928	–	5,510	28	–	–	–	6,466

Notes:

- (i) Estimated money values of other benefits include equity-settled share-based payments.
- (ii) Mr. Wang Dongliang was resigned on 13 August 2019.
- (iii) Mr. Wang Chongling was resigned on 15 March 2019.
- (iv) Mr. Zhang Guoqing and Mr. Li Yunxiang were appointed as director on 13 August 2019.
- (v) Ms. Cheng Yan was appointed as supervisor on 13 August 2019.
- (vi) Ms. Ju Meina was appointed as director on 12 September 2019 and resigned on 15 December 2020.
- (vii) Mr. Zhao Chao was appointed as supervisor on 26 February 2019 and resigned on 15 September 2020.
- (viii) Mr. Shi Rongsheng was appointed as supervisor on 13 August 2019 and resigned on 7 February 2021.
- (ix) Mr. Dai Ying was appointed as director on 2 December 2020.
- (x) Ms. Nian Mingzhu was appointed as supervisor on 15 September 2020.
- (xi) Mr. Jiang Jinhua was appointed as supervisor on 7 February 2021.

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the Track Record Period.

18. DIVIDENDS

No dividend has been paid or proposed during the Track Record Period.

19. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share during the Track Record Period is based on the (loss)/profit for the year attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares in issue or deemed to be in issue.

As described in Note 45 (v), the Company converted into a joint stock limited liability company and converted its registered capital into 1,200 million ordinary shares with nominal value of RMB1 each in November 2021. For the purpose of computing basic and diluted (loss)/earnings per share, the weighted average number of ordinary shares deemed to be in issue before the Company's conversion into a joint stock company was determined assuming the conversion into joint stock company had occurred since 1 January 2019, at the exchange ratio established in the conversion in November 2021.

(a) Basic (loss)/earnings per share

For the years ended 31 December 2019, 31 December 2020 and 31 December 2021, the calculation of basic (loss)/earnings per share is based on the (loss)/profit for the year attributable to owners of the Company of approximately loss of RMB118,690,000, profit of RMB5,157,000 and profit of RMB140,029,000 respectively and the weighted average number of ordinary shares of approximately 467,215,000, 669,540,000 and 1,241,141,000 in issue during the respective years.

For the three months ended 31 March 2021 and 31 March 2022, the calculation of basic (loss)/earnings per share is based on the (loss)/profit for the period attributable to owners of the Company of approximately profit of RMB64,937,000 (unaudited) and profit of RMB63,553,000 respectively and the weighted average number of ordinary shares of approximately 1,200,000,000 (unaudited) and 1,506,457,000 in issue during the respective periods.

(b) Diluted (loss)/earnings per share

No diluted (loss)/earnings per share was presented as the Company did not have any dilutive potential ordinary shares during the Track Record Period.

20. PROPERTY, PLANT AND EQUIPMENT

The Group

	Building RMB'000	Machinery RMB'000	Computer equipment RMB'000	Furniture and office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvement RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2019:								
Cost	630,924	662,238	10,162	12,367	8,818	36,443	633,556	1,994,508
Accumulated depreciation and impairment	(38,515)	(60,949)	(2,100)	(2,755)	(1,250)	(2,866)	–	(108,435)
Net carrying amount	592,409	601,289	8,062	9,612	7,568	33,577	633,556	1,886,073
At 1 January 2019, net of accumulated depreciation and impairment	592,409	601,289	8,062	9,612	7,568	33,577	633,556	1,886,073
Additions	18,262	80,214	12,089	13,101	2,177	7,700	1,269,706	1,403,249
Acquisition of subsidiaries	927,654	848,901	8,062	1,175	3,176	7	–	1,788,975
Disposals	–	(4,608)	–	(1)	(6,228)	–	–	(10,837)
Internal transfer	(2,621)	493,529	–	–	–	6,493	(497,401)	–
Depreciation provided during the year	(42,594)	(143,108)	(5,412)	(4,524)	(1,697)	(5,789)	–	(203,124)
Impairment loss	–	(18,660)	–	–	–	–	–	(18,660)
At 31 December 2019, net of accumulated depreciation and impairment	1,493,110	1,857,557	22,801	19,363	4,996	41,988	1,405,861	4,845,676
At 31 December 2019 and 1 January 2020:								
Cost	1,724,466	2,363,906	53,708	38,784	16,886	50,712	1,405,861	5,654,323
Accumulated depreciation and impairment	(231,356)	(506,349)	(30,907)	(19,421)	(11,890)	(8,724)	–	(808,647)
Net carrying amount	1,493,110	1,857,557	22,801	19,363	4,996	41,988	1,405,861	4,845,676
At 1 January 2020, net of accumulated depreciation and impairment	1,493,110	1,857,557	22,801	19,363	4,996	41,988	1,405,861	4,845,676
Additions	8,815	87,722	28,370	29,232	668	16,941	2,921,471	3,093,219
Additions through issuing shares	849,369	663	–	10,669	–	–	–	860,701
Disposals	–	(7,861)	(93)	(14)	(1)	–	(10,583)	(18,552)
Internal transfer	706,451	16,583	752	538	–	–	(724,324)	–
Depreciation provided during the year	(68,081)	(118,003)	(12,519)	(7,263)	(1,164)	(7,546)	–	(214,576)

APPENDIX I

ACCOUNTANT'S REPORT

	Building <i>RMB'000</i>	Machinery <i>RMB'000</i>	Computer equipment <i>RMB'000</i>	Furniture and office equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Leasehold improvement <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
At 31 December 2020, net of accumulated depreciation and impairment	2,989,664	1,836,661	39,311	52,525	4,499	51,383	3,592,425	8,566,468
At 31 December 2020 and 1 January 2021:								
Cost	3,289,101	2,213,604	81,361	79,186	17,546	67,653	3,592,425	9,340,876
Accumulated depreciation and impairment	(299,437)	(376,943)	(42,050)	(26,661)	(13,047)	(16,270)	–	(774,408)
Net carrying amount	2,989,664	1,836,661	39,311	52,525	4,499	51,383	3,592,425	8,566,468
At 1 January 2021, net of accumulated depreciation and impairment	2,989,664	1,836,661	39,311	52,525	4,499	51,383	3,592,425	8,566,468
Additions	56,384	132,883	50,751	52,561	3,396	16,629	9,074,487	9,387,091
Disposal of subsidiaries	(856,759)	(887,653)	(12,947)	(4,405)	(2,089)	–	(375,059)	(2,138,912)
Disposals	–	(24,527)	(67)	(70)	(814)	–	(84,181)	(109,659)
Internal transfer	1,070,566	2,301,572	45,497	18,129	–	–	(3,435,764)	–
Depreciation provided during the year	(100,583)	(290,667)	(29,283)	(19,417)	(1,089)	(12,447)	–	(453,486)
At 31 December 2021, net of accumulated depreciation and impairment	3,159,272	3,068,269	93,262	99,323	3,903	55,565	8,771,908	15,251,502
At 31 December 2021 and 1 January 2022:								
Cost	3,312,467	3,353,745	135,064	132,159	6,690	84,240	8,771,908	15,796,273
Accumulated depreciation and impairment	(153,195)	(285,476)	(41,802)	(32,836)	(2,787)	(28,675)	–	(544,771)
Net carrying amount	3,159,272	3,068,269	93,262	99,323	3,903	55,565	8,771,908	15,251,502

APPENDIX I

ACCOUNTANT'S REPORT

	Building	Machinery	Computer equipment	Furniture and office equipment	Motor vehicles	Leasehold improvement	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2022, net of accumulated depreciation and impairment	3,159,272	3,068,269	93,262	99,323	3,903	55,565	8,771,908	15,251,502
Additions	13,136	37,253	19,999	19,153	403	522	3,607,195	3,697,661
Internal transfer	764,372	464,704	9,189	1,386	–	–	(1,239,651)	–
Depreciation provided during the period	(25,012)	(90,947)	(10,810)	(7,634)	(354)	(3,328)	–	(138,085)
At 31 March 2022, net of accumulated depreciation and impairment	3,911,768	3,479,279	111,640	112,228	3,952	52,759	11,139,452	18,811,078
At 31 March 2022								
Cost	4,089,975	3,855,702	164,252	152,698	7,093	84,762	11,139,452	19,493,934
Accumulated depreciation and impairment	(178,207)	(376,423)	(52,612)	(40,470)	(3,141)	(32,003)	–	(682,856)
Net carrying amount	3,911,768	3,479,279	111,640	112,228	3,952	52,759	11,139,452	18,811,078

APPENDIX I

ACCOUNTANT'S REPORT

The Company

	Building RMB'000	Machinery RMB'000	Computer equipment RMB'000	Furniture and office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvement RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2019:								
Cost	630,924	499,857	9,030	12,308	8,509	1,797	626,881	1,789,306
Accumulated depreciation and impairment	(38,515)	(51,904)	(1,714)	(2,740)	(1,115)	(13)	–	(96,001)
Net carrying amount	592,409	447,953	7,316	9,568	7,394	1,784	626,881	1,693,305
At 1 January 2019, net of accumulated depreciation and impairment	592,409	447,953	7,316	9,568	7,394	1,784	626,881	1,693,305
Additions	13,080	22,618	11,687	12,750	1,694	1,002	1,111,321	1,174,152
Depreciation provided during the year	(21,017)	(74,455)	(3,133)	(4,128)	(1,172)	(831)	–	(104,736)
Disposals	–	–	–	–	(6,227)	–	–	(6,227)
Impairment loss	–	(1,354)	–	–	–	–	–	(1,354)
Internal transfer	392	479,854	–	–	–	–	(480,246)	–
At 31 December 2019, net of accumulated depreciation and impairment	584,864	874,616	15,870	18,190	1,689	1,955	1,257,956	2,755,140
At 31 December 2019 and 1 January 2020:								
Cost	644,396	953,513	20,717	25,058	2,439	2,799	1,257,956	2,906,878
Accumulated depreciation and impairment	(59,532)	(78,897)	(4,847)	(6,868)	(750)	(844)	–	(151,738)
Net carrying amount	584,864	874,616	15,870	18,190	1,689	1,955	1,257,956	2,755,140
At 1 January 2020, net of accumulated depreciation and impairment	584,864	874,616	15,870	18,190	1,689	1,955	1,257,956	2,755,140
Additions	853,660	14,903	21,951	33,755	533	4,766	1,150,752	2,080,320
Depreciation provided during the year	(26,860)	(32,282)	(9,318)	(6,827)	(606)	(1,668)	–	(77,561)
Disposals	–	–	–	(13)	–	–	–	(13)
Internal transfer	690,143	(161,113)	–	–	–	–	(529,030)	–
At 31 December 2020, net of accumulated depreciation and impairment	2,101,807	696,124	28,503	45,105	1,616	5,053	1,879,678	4,757,886

APPENDIX I

ACCOUNTANT'S REPORT

	Building RMB'000	Machinery RMB'000	Computer equipment RMB'000	Furniture and office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvement RMB'000	Construction in progress RMB'000	Total RMB'000
At 31 December 2020 and 1 January 2021:								
Cost	2,188,199	742,894	42,668	58,782	2,972	7,565	1,879,678	4,922,758
Accumulated depreciation and impairment	(86,392)	(46,770)	(14,165)	(13,677)	(1,356)	(2,512)	–	(164,872)
Net carrying amount	2,101,807	696,124	28,503	45,105	1,616	5,053	1,879,678	4,757,886
At 1 January 2021, net of accumulated depreciation and impairment								
	2,101,807	696,124	28,503	45,105	1,616	5,053	1,879,678	4,757,886
Additions	58,678	34,146	7,982	4,423	849	315	1,066,289	1,172,682
Internal transfer	–	1,088,960	–	401	–	–	(1,089,361)	–
Depreciation provided during the year	(33,083)	(65,698)	(13,507)	(9,422)	(611)	(1,891)	–	(124,212)
Disposals	–	(448,686)	(6)	(43)	–	–	(82,124)	(530,859)
Capital injection in subsidiaries	(2,127,402)	(1,300,300)	(2,077)	(32,128)	(398)	(2,775)	(1,766,688)	(5,231,768)
At 31 December 2021, net of accumulated depreciation and impairment								
	–	4,546	20,895	8,336	1,456	702	7,794	43,729
At 31 December 2021 and 1 January 2022:								
Cost	–	12,384	46,644	23,768	3,216	4,103	7,794	97,909
Accumulated depreciation and impairment	–	(7,838)	(25,749)	(15,432)	(1,760)	(3,401)	–	(54,180)
Net carrying amount	–	4,546	20,895	8,336	1,456	702	7,794	43,729
At 1 January 2022, net of accumulated depreciation and impairment								
	–	4,546	20,895	8,336	1,456	702	7,794	43,729
Additions	–	–	52	25	–	522	–	599
Depreciation provided during the period	–	(565)	(3,121)	(1,138)	(160)	(140)	–	(5,124)
At 31 March 2022, net of accumulated depreciation and impairment								
	–	3,981	17,826	7,223	1,296	1,084	7,794	39,204

	Building	Machinery	Computer equipment	Furniture and office equipment	Motor vehicles	Leasehold improvement	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 31 March 2022								
Cost	16,706	12,384	46,696	23,793	3,216	4,625	7,794	115,214
Accumulated depreciation and impairment	(16,706)	(8,403)	(28,870)	(16,570)	(1,920)	(3,541)	–	(76,010)
Net carrying amount	–	3,981	17,826	7,223	1,296	1,084	7,794	39,204

As at 31 December 2019, 31 December 2020, 31 December 2021 and 31 March 2022, the carrying amount of property, plant and equipment pledged as security for the Group's other loans amounted to RMB211,164,000, RMB298,504,000, RMBNil and RMBNil respectively.

As at 31 December 2019, 31 December 2020, 31 December 2021 and 31 March 2022, the Group was still in the process of obtaining property ownership certificates for certain buildings with a net carrying amount of RMB282,575,000, RMB1,789,594,000, RMB1,943,612,000 and RMB2,402,108,000.

As at 31 December 2019, 31 December 2020, 31 December 2021 and 31 March 2022, property, plant and equipment with carrying amounts of approximately RMB Nil, RMB70,405,000, RMB1,003,207,000 and RMB996,400,000 were pledged as security for the Group's bank borrowings.

As at 31 December 2021, certain construction in progress with net carrying amount of RMB2,165,474,000 was constructed on two parcels of land which the Group was still in the process of obtaining the land certificates. The Group obtained the land certificates of the two land parcels in January 2022.

21. RIGHT-OF-USE ASSETS

The Group

	Leasehold lands RMB'000	Leased properties RMB'000	Total RMB'000
At 1 January 2019 upon adoption of IFRS 16	76,781	–	76,781
Additions	156,715	101,146	257,861
Acquisition of subsidiaries	181,754	–	181,754
Depreciation	(4,958)	(12,205)	(17,163)
At 31 December 2019 and 1 January 2020	410,292	88,941	499,233
Additions	129,259	16,743	146,002
Depreciation	(9,673)	(19,910)	(29,583)
Early termination of leases	–	(69,644)	(69,644)
At 31 December 2020 and 1 January 2021	529,878	16,130	546,008
Additions	267,869	21,297	289,166
Depreciation	(13,949)	(6,759)	(20,708)
Disposal of Subsidiaries	(171,092)	–	(171,092)
At 31 December 2021 and 1 January 2022	612,706	30,668	643,374
Additions	481,361	83,093	564,454
Depreciation	(5,333)	(5,801)	(11,134)
Effect of lease modification	–	(8,044)	(8,044)
At 31 March 2022	<u>1,088,734</u>	<u>99,916</u>	<u>1,188,650</u>

The Company

	Leasehold lands RMB'000	Leased properties RMB'000	Total RMB'000
At 1 January 2019 upon adoption of IFRS 16	76,781	–	76,781
Depreciation	(1,628)	–	(1,628)
At 31 December 2019 and 1 January 2020	75,153	–	75,153
Additions	129,259	–	129,259
Depreciation	(1,970)	–	(1,970)
At 31 December 2020 and 1 January 2021	202,442	–	202,442
Transfer to subsidiaries	(202,550)	–	(202,550)
Additions	20,206	1,860	22,066
Depreciation	(2,216)	(155)	(2,371)
At 31 December 2021 and 1 January 2022	17,882	1,705	19,587
Depreciation	(90)	(149)	(239)
At 31 March 2022	<u>17,792</u>	<u>1,556</u>	<u>19,348</u>

The Group

	Year ended 31 December			Three months ended 31 March	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Depreciation expenses on right-of-use assets	17,163	29,583	20,708	4,364	11,134
Interest expense on lease liabilities (included in finance costs)	2,167	2,552	695	128	897
Expenses relating to short-term lease (included in cost of sales, selling expenses and administrative expenses)	866	7,788	19,720	3,185	10,343
Expenses relating to leases of low value assets (included in selling expenses and administrative expenses)	–	346	2,982	554	526
	<u>–</u>	<u>346</u>	<u>2,982</u>	<u>554</u>	<u>526</u>

Details of total cash outflow for leases is set out in note 47(e).

During the Track Record Period, the Group leases various factories and office premise for its operations. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

Lease contracts are entered into for fixed term of 3 year to 5 years. No extension options and termination options are included in the lease contracts.

As at 31 December 2021 and 31 March 2022, right-of-use assets with carrying amount of approximately RMB167,356,000 and RMB349,945,000 were pledged as security for the Group's bank borrowings and right-of-use assets with carrying amount of approximately RMB17,954,000 and RMB17,855,000 were pledged as security for the Company's bank borrowings (note 38).

22. GOODWILL

	RMB'000
Cost	
At 1 January 2019	–
Arising on acquisition of Luoyang Company (note 47(a))	140,097
	<u>140,097</u>
At 31 December 2019, 1 January 2020, 31 December 2020 and 1 January 2021	140,097
Disposal of controlling interest in Luoyang Company	(140,097)
	<u>–</u>
At 31 December 2021	<u>–</u>
Accumulated impairment losses	
At 31 December 2019, 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	–
	<u>–</u>
Carrying amount	
At 31 December 2019	140,097
	<u>140,097</u>
At 31 December 2020	140,097
	<u>140,097</u>
At 31 December 2021	<u>–</u>

Goodwill acquired in a business combination is allocated, at an acquisition, to the cash generating units that are expected to benefit from the business combination. The carrying amount of goodwill had been allocated to Luoyang Company.

In addition to goodwill, property, plant and equipment, right-of-use assets and intangible assets that generate cash flows together with the related goodwill are also included in the respective CGU for the purpose of impairment assessment.

The recoverable amounts of the CGU has been determined on the basis of its fair value less cost of disposal using discounted cash flow method. The Group prepares Luoyang Company CGU cash flow forecasts derived from the most recent financial budgets approved by the Directors for the period up to year 2026 and with the residual period using growth rate of 0%. 2026 is the year that the Luoyang Company CGU expected to attain its effective capacity and stabilized operating efficiency.

During the Track Record Period, the Group has no change in valuation technique for the estimation of Luoyang Company CGU's fair value less cost of disposal.

The Luoyang Company CGU recoverable amount calculations have used the following key assumptions:

Key assumptions	At 31.12.2019	At 31.12.2020
Sales volume		
- Attainment of long term annual sales volume	Gradually attaining 4.7GWh in FY2026	Gradually attaining 4.7GWh in FY2026
Discount rate (post-tax)		
- Reflect current market assessment of time value of money and the risks specific to the CGU	10.1%	10.2%

The following unfavorable change in key assumptions (individually and while holding others unchanged) would remove the headroom such that the carrying amount of CGU would exceed the recoverable amounts:

Change in key assumptions	At 31.12.2019	At 31.12.2020
Sales volume	Expected annual sales volume reduced by 0.4GWh for all years across the forecast period	Expected annual sales volume reduced by 0.8GWh for all years across the forecast period
Discount rate (post-tax)	Increase of discount rate of 0.8%	Increase of discount rate of 2.2%

Management believes that any reasonably possible change in the key assumptions on which the Luoyang Company CGU's recoverable amount is based would not cause the CGU's carrying amount to exceed its recoverable amount. The headroom, expressed as a percentage of the CGU's recoverable amount is approximately 10% and 24% as at 31 December 2019 and 31 December 2020, respectively.

23. INTANGIBLE ASSETS

The Group

	Computer software RMB'000	Trademarks RMB'000	Patents RMB'000	Development costs RMB'000	Others RMB'000	Total RMB'000
Cost						
At 1 January 2019	6,535	–	712,000	–	–	718,535
Additions – internal development	–	–	–	85,849	–	85,849
Additions – purchased	11,604	–	–	–	–	11,604
Acquisition of subsidiaries	8,061	19	202,171	–	–	210,251
Internal transfer	–	–	–	–	–	–
At 31 December 2019 and 1 January 2020	26,200	19	914,171	85,849	–	1,026,239
Additions – internal development	–	–	–	288,345	–	288,345
Additions – purchased	8,590	–	–	–	–	8,590
Internal transfer	–	–	11,321	(11,321)	–	–
At 31 December 2020 and 1 January 2021	34,790	19	925,492	362,873	–	1,323,174
Additions – internal development	–	–	55,138	93,345	–	148,483
Additions – purchased	52,943	–	–	–	2,250	55,193
Acquired from an associate	–	4	323,917	–	–	323,921
Disposal of subsidiaries	(11,879)	(19)	(202,171)	–	–	(214,069)
Internal transfer	–	–	258,119	(258,119)	–	–
At 31 December 2021 and 1 January 2022	75,854	4	1,360,495	198,099	2,250	1,636,702
Additions – internal development	–	–	–	4,115	–	4,115
Additions – purchased	12,687	–	–	–	–	12,687
Internal transfer	–	–	922	(922)	–	–
At 31 March 2022	88,541	4	1,361,417	201,292	2,250	1,653,504
Accumulated depreciation and impairment						
At 1 January 2019	910	–	416,387	–	–	417,297
Charge for the year	2,256	2	54,469	–	–	56,727
At 31 December 2019 and 1 January 2020	3,166	2	470,856	–	–	474,024
Charge for the year	4,152	4	68,152	–	–	72,308
At 31 December 2020 and 1 January 2021	7,318	6	539,008	–	–	546,332
Charge for the year	7,019	3	76,221	–	188	83,431
Impairment for the year	–	–	15	–	–	15
Disposal of subsidiaries	(4,489)	(9)	(63,585)	–	–	(68,083)

	Computer software RMB'000	Trademarks RMB'000	Patents RMB'000	Development costs RMB'000	Others RMB'000	Total RMB'000
At 31 December 2021 and 1 January 2022	9,848	–	551,659	–	188	561,695
Charge for the period	2,477	–	27,245	8,657	113	38,492
Impairment for the period	–	–	–	–	–	–
At 31 March 2022	12,325	–	578,904	8,657	301	600,187
Carrying amount						
At 31 December 2019	23,034	17	443,315	85,849	–	552,215
At 31 December 2020	27,472	13	386,484	362,873	–	776,842
At 31 December 2021	66,006	4	808,836	198,099	2,062	1,075,007
At 31 March 2022	76,216	4	782,513	192,635	1,949	1,053,317

Computer software was purchased by the Group and has finite useful life. The computer software is stated at cost less accumulated amortisation and any impairment losses, and is amortised on the straight-line basis over its estimated useful life of not more than 10 years. When assessing the useful life of computer software, the Group would take into the consideration of technological obsolescence.

Trademarks were acquired in a business combination and recognised at fair values at the acquisition date. Trademarks have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated on a straight-line basis over the valid period of 10 years upon initial registration as allowed by the Trademark Law of the PRC or relevant jurisdiction.

Patents have finite useful lives and are amortised on a straight-line basis over the commercial lives of the underlying products not more than 10 years.

Development costs are internally generated. The development costs mainly refer to the cost of staff for developing battery related technology, the cost of materials used, utilities fees and other costs. The estimated useful lives of these projects will be determined after completion based on the period of time to generate probable economic benefits. Development costs are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding 10 years. The development costs of relevant technology would be transferred to patents if they can be successfully patented.

The average remaining amortisation period (in years) for the Group's intangible assets at end of reporting periods are:

	At 31 December 2019 (years)	At 31 December 2020 (years)	At 31 December 2021 (years)	At 31 March 2022 (years)
Computer software	7.8	7.8	8.6	8.6
Trademarks	4.4	3.4	3.5	3.5
Patents	6.3	5.5	7.1	7.0
Others	N/A	N/A	4.6	4.3
Development cost	N/A	N/A	N/A	9.6

Based on management's current assessment of the estimated commercial lives of the relevant products, development costs are amortised over 10 years. Development costs and relevant patents were allocated for impairment testing purpose to the Xiamen Company CGU. The recoverable amounts of the CGU has been determined on the basis of its fair value less cost of disposal using discounted cash flow method. The Group prepares Xiamen Company CGU cash flow forecasts derived from the most recent financial budgets approved by the Directors for the period up to year 2026 and with the residual period using growth rate of 0%. 2026 is the year that the Xiamen Company CGU expected to attain its effective capacity and stabilized operating efficiency.

The Xiamen Company CGU recoverable amount calculations have used the following key assumptions:

Key assumptions	At 31.12.2019	At 31.12.2020	At 31.12.2021
Sales volume			
- Attainment of long term annual sales volume	Gradually attaining 17.6 GWh in FY2026	Gradually attaining 17.6 GWh in FY2026	Gradually attaining 17.6 GWh in FY2026
Discount rate (post-tax)			
- Reflect current market assessment of time value of money and the risks specific to the CGU	11.2%	11.3%	12%

The following unfavorable change in key assumptions (individually and while holding others unchanged) would remove the headroom such that the carrying amount of CGU would exceed the recoverable amounts:

Change in key assumptions	At 31.12.2019	At 31.12.2020	At 31.12.2021
Sales volume	Expected annual sales volume reduced by 2.1GWh for all years across the forecast period	Expected annual sales volume reduced by 2.1GWh for all years across the forecast period	Expected annual sales volume reduced by 2.1GWh for all years across the forecast period
Discount rate (post-tax)	Increase of discount rate of 1.9%	Increase of discount rate of 1.9%	Increase of discount rate of 1.9%

Management believes that any reasonably possible change in the key assumptions on which the Xiamen Company CGU's recoverable amount is based would not cause the CGU's carrying amount to exceed its recoverable amount. The headroom, expressed as a percentage of the CGU's recoverable amount is over 40% as at 31 December 2019 and 2020. The headroom as at 31 December 2021 is approximately 20%.

The Company

	Computer Software <i>RMB'000</i>	Trademark <i>RMB'000</i>	Patents <i>RMB'000</i>	Total <i>RMB'000</i>
Cost				
At 1 January 2019	5,533	–	712,000	717,533
Additions	10,885	–	–	10,885
At 31 December 2019 and 1 January 2020	16,418	–	712,000	728,418
Additions	7,815	–	–	7,815
At 31 December 2020 and 1 January 2021	24,233	–	712,000	736,233
Additions	5,481	–	–	5,481
Acquired from an associate	–	4	323,917	323,921
Capital injection in subsidiaries	(6,552)	–	–	(6,552)
Transfer to subsidiaries	(358)	–	(712,000)	(712,358)
At 31 December 2021 and 1 January 2022	22,804	4	323,917	346,725
Additions	544	–	–	544
At 31 March 2022	23,348	4	323,917	347,269
Accumulated depreciation and impairment				
At 1 January 2019	775	–	416,387	417,162
Charge for the year	1,190	–	40,775	41,965
At 31 December 2019 and 1 January 2020	1,965	–	457,162	459,127
Charge for the year	2,157	–	40,774	42,931
At 31 December 2020 and 1 January 2021	4,122	–	497,936	502,058
Charge for the year	2,633	–	23,360	25,993
Capital injection in subsidiaries	(926)	–	–	(926)
Transfer to subsidiaries	(197)	–	(518,323)	(518,520)
At 31 December 2021 and 1 January 2022	5,632	–	2,973	8,605
Charge for the period	676	–	8,915	9,591
At 31 March 2022	6,308	–	11,888	18,196
Carrying amount				
At 31 December 2019	14,453	–	254,838	269,291
At 31 December 2020	20,111	–	214,064	234,175
At 31 December 2021	17,172	4	320,944	338,120
At 31 March 2022	17,040	4	312,029	329,073

The average remaining amortisation period (in years) for the Company's intangible assets at end of reporting periods are:

	At 31 December 2019 (years)	At 31 December 2020 (years)	At 31 December 2021 (years)	At 31 March 2022 (years)
Computer software	8.8	8.5	7.8	7.5
Trademarks	N/A	N/A	3.5	3.5
Patents	6.3	5.3	7.3	7.1

24. INVESTMENTS IN SUBSIDIARIES

The following table shows information on the subsidiary that have non-controlling interests ("NCI") material to the Group. The summarised financial information represents amounts before inter-company eliminations.

Name	Luoyang Company		
	As at 31 December 2019	2020	As at 7 November 2021
Principal place of business/country of incorporation	PRC	PRC	PRC
% of ownership interests/voting rights held by NCI	26.64%/	26.64%/	25.63%/
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets	2,311,244	2,445,299	2,662,059
Current assets	2,868,419	2,100,095	2,335,424
Non-current liabilities	(614,707)	(438,918)	(277,377)
Current liabilities	(2,814,836)	(2,445,153)	(3,155,393)
Net assets	<u>1,750,120</u>	<u>1,661,323</u>	<u>1,564,713</u>
Accumulated NCI	<u>466,232</u>	<u>442,577</u>	<u>401,036</u>
	For the period from 1 July to 31 December 2019	Year ended 31 December 2020	For the period from 1 January to 7 November 2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	626,667	1,020,546	1,169,553
Cost of sales	(589,716)	(936,026)	(1,060,380)
Gross profit	36,951	84,520	109,173
Loss from operations	(108,454)	(38,075)	(89,942)
Loss before tax	(136,852)	(73,698)	(100,514)
Loss for the period/year	(120,072)	(88,159)	(96,447)
Total comprehensive expense	<u>(119,954)</u>	<u>(88,795)</u>	<u>(96,612)</u>
Loss allocated to NCI	<u>(31,987)</u>	<u>(23,485)</u>	<u>(24,719)</u>

APPENDIX I

ACCOUNTANT'S REPORT

	For the period from 1 July to 31 December 2019 <i>RMB'000</i>	Year ended 31 December 2020 <i>RMB'000</i>	For the period from 1 January to 7 November 2021 <i>RMB'000</i>
Net cash generated from operating activities	89,316	666,405	773,023
Net cash used in investing activities	(66,317)	(234,789)	(348,986)
Net cash (used in)/generated from financing activities	112,416	(496,916)	(467,443)
Net increase/(decrease) in cash and cash equivalents	135,415	(65,300)	(43,406)

25. INVESTMENTS IN ASSOCIATES

	As at 31 December 2019 <i>RMB'000</i>	As at 31 December 2020 <i>RMB'000</i>	As at 31 December 2021 <i>RMB'000</i>	As at 31 March 2022 <i>RMB'000</i>
Unlisted investments:				
Share of net assets	46,801	52,768	657,416	16,964
Goodwill on acquisition	15,116	15,116	626,250	–
Less: Impairment loss – <i>note (c)</i>	–	–	(178,700)	–
	61,917	67,884	1,104,966	16,964

Particulars of the associates are as follows:

Name	Place of incorporation and operations	Particulars of paid up/registered capital	Percentage of ownership interest	Voting power	Profit sharing	Principal activities
滄州明珠鋰電隔膜有限公司 Cangzhou Mingzhu Lithium Battery Diaphragm Co., Ltd.* ^(a) (“Cangzhou Mingzhu”) – <i>note (b)</i>	The PRC	Paid-up capital of RMB118,400,000	As at 31 December 2019: 2020: 2021: As at 31 March 2022:	10% 10% N/A N/A	10% 10% N/A N/A	Manufacturing and sales of battery diaphragm
CALB USA INC. ^(a) (“CALB USA”)	The United States (the “USA”)	Paid-up capital of US\$100,000	As at 31 December 2019: 2020: 2021: As at 31 March 2022:	40% 40% N/A N/A	40% 40% N/A N/A	Sales of lithium- ion battery

Name	Place of incorporation and operations	Particulars of paid up/registered capital	Percentage of ownership interest	Voting power	Profit sharing	Principal activities
Luoyang Company – <i>note (c), (d), (e)</i>	The PRC	Registered capital of RMB990,867,000	As at 31 December 2019: 2020: 2021: As at 31 March 2022:	N/A N/A 49% N/A	N/A N/A 49% N/A	Design, research and development manufacturing and sales of EV battery for civil and military industrial use and ESS products
上海泛能新材料科技有限公司 Shanghai Fanneng New Material Technology Co., Ltd.* [@] (“Shanghai Fanneng”)	The PRC	Paid-up capital of RMB4,846,000	As at 31 December 2019: 2020: 2021:	25% 25% N/A	25% 25% N/A	Development and consultancy services of lithium-ion battery
大陸凱博動力電源系統(常州)有限公司 Continental Kaibo Power System (Changzhou) Co., Ltd.* [#]	The PRC	Registered capital of RMB130,000,000	As at 31 December 2019: 2020: 2021:	40% 40% N/A	40% 40% N/A	Production and development of battery
凱博(海南)私募基金管理有限公司 Kaibo (Hainan) Private Equity Fund Management Co., Ltd.*	The PRC	Registered capital of RMB10,000,000	As at 31 December 2019: 2020: 2021: As at 31 March 2022:	N/A N/A 30% 30%	N/A N/A 30% 30%	Private equity fund management
江蘇動力及儲能電池創新中心有限公司 Jiangsu Power and Energy Storage Battery Innovation Center Co., Ltd.*	The PRC	Registered capital of RMB30,000,000	As at 31 December 2019: 2020: 2021: As at 31 March 2022:	N/A N/A 48% 48%	N/A N/A 48% 48%	Engineering and technical research and experimental development

[#] The associate was dissolved on 22 April 2021.

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

[@] The entities ceased to be associates of the Group after the Company disposed 51% of equity interest in Luoyang Company, a company directly held the equity interest in such entities, in November 2021.

Notes:

(a) All of the above associates are accounted for using the equity method in the consolidated financial statements.

- (b) The Group has less than 20% of equity interest in Cangzhou Mingzhu. With the Group's presence in the board of Cangzhou Mingzhu and participation in the financial and operating activities of this entity, the Group could exercise significant influence over Cangzhou Mingzhu. Accordingly, Cangzhou Mingzhu is accounted for as associate.
- (c) The Group has disposed of 51% equity interests of Luoyang Company to Jincheng Technology on 8 November 2021 at the original consideration of RMB1,530 million. Upon completion of the disposal, the Group lost its control over Luoyang Company and accounted for as an associate with 23.37% retained equity interests. In November 2021, the Company acquired 25.63% equity interest of Luoyang Company from non-controlling interest shareholders. As at 31 December 2021, the Group has 49% equity interests in Luoyang Company.

On 31 December 2021, Luoyang Company entered into entrusted processing framework agreement with the Company that had resulted in material change in the recoverable amount of Luoyang Company. As a result, the carrying amount of the 49% equity interests in Luoyang Company was determined to be impaired to its recoverable amount of RMB1,087.8 million with reference to the fair value of the net assets of Luoyang Company as at 31 December 2021. An impairment loss of RMB178.7 million was recognised in the year ended 31 December 2021.

- (d) On 31 December 2021, Luoyang Company entered into entrusted processing framework agreement with the Company that would affect Luoyang Company's financial forecast. On 2 March 2022, Jintan Group entered into Non-Competition Agreement which resulted in material change in the operation mode and profit forecast of Luoyang Company, and reaffirming the financial impact implied by the entrusted processing framework agreement. Considering the impact of the Non-Competition Agreement, on 2 March 2022, the Company and Jincheng Technology entered into a supplemental agreement in respect of the 51% equity interests of Luoyang Company disposed by the Company to Jincheng Technology in November 2021, pursuant to which, the Company agreed to compensate Jincheng Technology in the amount of RMB397.8 million (being the difference between the market valuation of Luoyang Company at 31 December 2020 and the valuation of Luoyang Company as of 31 December 2021 multiply by 51%) (the "**Compensation Arrangement**"). Regulatory approvals by relevant state-owned assets supervision and administration department were required for the aforementioned disposal as well as the related compensation payment. The Company had the duty to report the resultant impact on operation mode and profit forecast of Luoyang Company once entering the entrusted processing framework agreement on 31 December 2021 and seek the approval from the relevant state-owned assets supervision and administration department for approval of adjustment of the original consideration for the Luoyang Company 51% equity interests disposal. The approval from state-owned assets supervision and administration department regarding the compensation amount was issued in March 2022. The compensation payment has a natural link to the original consideration of disposal. The Compensation Arrangement is an adjusting event after the reporting date, as that provides additional evidence for determination of the final consideration of disposing Luoyang Company 51% equity interests (by way of compensation payment to Jincheng Technology) related to conditions existed at the end of reporting period.

The compensation payment of RMB397.8 million is accounted for as a reduction of the original consideration of disposing Luoyang Company 51% equity interests amounted to RMB1,530 million, and the resulting consideration net of compensation is RMB1,132.2 million. Details are set out in note 47(b).

- (e) On 3 March 2022, the Company entered into equity transfer agreement with Jinhang Holding, pursuant to which the Company agreed to sell and Jinhang Holding agreed to purchase the Company's remaining 49% of equity interests in Luoyang Company at a consideration of RMB1,087.8 million. The disposal resulted in a loss on disposal of associate of approximately RMB0.5 million.

The equity transfer agreement further provides that, during the transition period from 1 January 2022 to the date of disposal (i.e. 9 March 2022), the profit or loss of Luoyang Company shall be shared by Jinhang Holding. The Group has accounted for its remaining equity interests in Luoyang Company by the equity method as prescribed in IAS 28 – Investments in Associates and Joint Ventures during the aforementioned transition period and recorded RMB14,775,000 as its share of profit in Luoyang Company. Due to the operation of the above agreement for transition period profit or loss allocation, the Group has reversed its share of profit in Luoyang Company amounted to RMB14,775,000 and recognised that as other losses.

The following table shows information on the associates that are material to the Group. The summarised financial information presented is based on the audited financial statements or management accounts of the associates prepared based on the local accounting standards and further adjusted to comply with IFRSs by the Company's directors.

	Cangzhou Mingzhou			As at
	As at 31 December			31 March
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	452,273	439,085	—	—
Current assets	89,645	118,233	—	—
Non-current liabilities	(60,961)	(81,671)	—	—
Current liabilities	(26,370)	(34,244)	—	—
Net assets	454,587	441,403	—	—

Reconciliation to the Group's interest in Changzhou Mingzhou:

	As at 31 December			As at
	As at 31 December			31 March
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Proportion of the ownership	10%	10%	—	—
Group's share of net assets	45,459	44,140	—	—
Goodwill on acquisition	6,824	6,824	—	—
Carrying amount of the investment	52,283	50,964	—	—

	For the period	Year ended	For the
	from 1 July to	31 December	period from
	31 December	31 December	1 January to
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Revenue	27,800	115,116	246,754
(Loss)/profit from operations	(33,807)	(13,185)	79,219
Other comprehensive income/(expense)	—	—	—
Total comprehensive (expense)/income	(33,807)	(13,185)	79,219
Dividend income from associates	—	—	—

CALB USA			
	As at 31 December		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Non-current assets	485	92	—
Current assets	63,817	34,876	—
Non-current liabilities	—	—	—
Current liabilities	(45,265)	(11,858)	—
Net assets	19,037	23,110	—

Reconciliation to the Group's interest in CALB USA:

	As at 31 December		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Proportion of the ownership	40%	40%	—
Group's share of net assets	7,615	9,244	—
Unrealised profit	(6,273)	(616)	—
Goodwill on acquisition	8,292	8,292	—
Carrying amount of the investment	9,634	16,920	—

	For the period from 1 July to 31 December 2019	Year ended 31 December 2020	For the period from 1 January to 7 November 2021
	RMB'000	RMB'000	RMB'000
Revenue	58,611	96,120	79,021
(Loss)/profit from operations	(1,504)	5,664	6,045
Other comprehensive income/(expense)	295	(1,591)	(412)
Total comprehensive (expense)/income	(1,209)	4,073	5,633
Dividend income from associates	—	—	—

	Luoyang Company	
	As at 31 December 2021 <i>RMB'000</i>	As at 31 March 2022 <i>RMB'000</i>
Non-current assets	2,549,681	—
Current assets	2,617,963	—
Non-current liabilities	(234,088)	—
Current liabilities	(3,339,103)	—
Net assets	1,594,453	—

Reconciliation to the Group's interest in Luoyang Company:

	As at 31 December 2021 RMB'000	As at 31 March 2022 RMB'000
Proportion of the ownership	49%	—
Group's share of net assets	781,282	—
Unrealised profit	(155,142)	—
Financial guarantees	14,110	—
Goodwill on acquisition	626,250	—
Impairment	(178,700)	—
	<u>1,087,800</u>	<u>—</u>
Carrying amount of the investment	<u>1,087,800</u>	<u>—</u>
	For the period from 8 November to 31 December 2021 RMB'000	For the period from 1 January 2022 to 8 March 2022 RMB'000
Revenue	527,544	455,581
Profit from operations	239,726	24,208
Other comprehensive expense	(40)	—
Total comprehensive income	239,686	24,208
Dividend income from associates	—	—
	<u>—</u>	<u>—</u>

The following table shows, in aggregate, the Group's share of the amounts of all individually immaterial associates that are accounted for using the equity method.

	As at 31 December			As at 31 March 2022 RMB'000
	2019 RMB'000	2020 RMB'000	2021 RMB'000	
Carrying amounts of interests	—	—	17,166	16,964
	<u>—</u>	<u>—</u>	<u>17,166</u>	<u>16,964</u>
	Year ended 31 December			For the period ended 31 March 2022 RMB'000
	2019 RMB'000	2020 RMB'000	2021 RMB'000	
Loss for the year/period, net	(4,794)	(432)	(335)	(202)
Other comprehensive income	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total comprehensive income	<u>(4,794)</u>	<u>(432)</u>	<u>(335)</u>	<u>(202)</u>

The Group has not recognised loss for the year ended 31 December 2019, 2020 and 2021 and for the three months ended 31 March 2021 and 2022 amounting to approximately RMB61,000, RMB121,000, RMB101,000, RMB30,000 (unaudited) and RMBNil respectively. The accumulated losses not recognised were approximately RMB160,000, RMB281,000, RMBNil and RMBNil respectively as at 31 December 2019, 2020 and 2021 and 31 March 2022.

As at 31 December 2019, 2020 and 2021 and 31 March 2022, the bank and cash balances of the Group's associates in the PRC denominated in RMB amounted to RMB185,000, RMB2,646,000, RMB651,798,000 and RMB30,048,000 respectively. Conversion of the mentioned balances from RMB into foreign currencies and from foreign currencies into RMB is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

26. INVESTMENTS IN JOINT VENTURES

	As at 31 December			As at
	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Unlisted investments in the PRC:				
Share of net assets	—	—	—	—

Details of the Group's joint venture using equity method are as follows:

Name	Place and date of establishments	Registered capital	Percentage of equity interest attributable to the Group during Track Record Period	Principal activities
上海央邁動力技術有限公司 ("Shanghai Yangmai") CADMA Drivetrain Tec Co., Ltd.*#	PRC 6 August 2015	RMB10,000,000	As at 31 December 2019 and 2020: 51% As at 31 December 2021: N/A As at 31 March 2022: N/A	Development and wholesale of battery and car accessories

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

Shanghai Yangmai was no long recognised as a joint venture of the Group after the Company disposed 51% of equity interest in Luoyang Company, a company directly held the equity interest in Shanghai Yangmai, in November 2021.

The following table shows, in aggregate, the Group's share of the amounts of the joint venture that are accounted for using the equity method in the Historical Financial Information.

	As at 31 December			As at
	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Carrying amounts of interest	—	—	—	—

	For the period from 1 July to 31 December 2019 RMB'000	Year ended 31 December 2020 RMB'000	For the period 1 January to 7 November 2021 RMB'000
Loss for the year/period, net	(11)	(369)	–
Other comprehensive income	–	–	–
Total comprehensive income	(11)	(369)	–

The Group has not recognised loss for the year ended 31 December 2019, 2020 and 2021 and for the three months ended 31 March 2021 and 2022 amounting to approximately RMB11,000, RMB369,000, RMBNil, RMBNil (unaudited) and RMBNil respectively. The accumulated losses not recognised were approximately RMB1,079,000, RMB1,448,000, RMBNil and RMBNil respectively as at 31 December 2019, 2020 and 2021 and 31 March 2022.

As at 31 December 2019, 2020 and 2021 and 31 March 2022, the bank and cash balances of the Group's Joint venture in the PRC denominated in RMB amounted to RMB200,000, RMB13,000, RMBNil and RMBNil respectively. Conversion of the mentioned balances from RMB into foreign currencies and from foreign currencies into RMB is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

27. INVENTORIES

The Group

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	129,560	214,860	1,079,889	1,189,652
Work in progress	432,481	193,861	192,848	634,122
Finished goods	744,665	351,605	484,047	935,533
Goods in transit	2,521	–	–	–
	<u>1,309,227</u>	<u>760,326</u>	<u>1,756,784</u>	<u>2,759,307</u>

The Company

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	72,607	130,963	–	1,260
Work in progress	159,934	38,795	–	17,065
Finished goods	303,810	110,489	–	9,848
Goods in transit	2,521	–	–	–
	<u>538,872</u>	<u>280,247</u>	<u>–</u>	<u>28,173</u>

28. TRADE AND BILLS RECEIVABLES

The Group

	As at 31 December			As at
	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Trade receivables				
Receivables from third parties	570,125	1,023,314	1,477,522	2,988,542
Due from related parties (<i>note 30</i>)	26,674	11,210	666,037	564,231
Allowance for doubtful debts	(96,641)	(119,614)	(37,191)	(37,556)
	<u>500,158</u>	<u>914,910</u>	<u>2,106,368</u>	<u>3,515,217</u>
Bills receivables	641,723	331,409	608,336	1,482,722
	<u>1,141,881</u>	<u>1,246,319</u>	<u>2,714,704</u>	<u>4,997,939</u>

The Company

	As at 31 December			As at
	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Trade receivables				
Receivables from third parties	75,426	334,487	1,297,230	2,706,998
Due from related parties (<i>note 30</i>)	1,063,038	707,362	4,519,424	7,868,769
Allowance for doubtful debts	(23,662)	(23,662)	(26,540)	(29,344)
	<u>1,114,802</u>	<u>1,018,187</u>	<u>5,790,114</u>	<u>10,546,423</u>
Bills receivables	2,230	12,227	499,041	1,147,159
	<u>1,117,032</u>	<u>1,030,414</u>	<u>6,289,155</u>	<u>11,693,582</u>

The credit terms, being granted to independent third parties, are generally within 90 days. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

All the trade and bills receivables for the Track Record Period are denominated in RMB.

The aging analysis of trade receivables based on the invoice date, and net of allowance, is as follows:

The Group

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
0 to 180 days	354,922	772,707	2,077,688	3,410,018
181 to 365 days	32,875	76,620	7,559	102,202
1 – 2 years	92,450	27,743	21,121	2,997
Over 2 years	19,911	37,840	–	–
	<u>500,158</u>	<u>914,910</u>	<u>2,106,368</u>	<u>3,515,217</u>

The Company

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
0 to 180 days	975,283	1,018,187	5,758,919	7,492,627
181 to 365 days	139,519	–	10,074	3,050,799
1-2 years	–	–	21,121	2,997
	<u>1,114,802</u>	<u>1,018,187</u>	<u>5,790,114</u>	<u>10,546,423</u>

Reconciliation of allowance for trade receivables:

The Group

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January	2,496	96,641	119,614	37,191
Acquisition of subsidiaries	58,843	–	–	–
Allowance for the year/period, net	35,418	23,351	26,600	365
Amounts written off during the year/period	(116)	(378)	–	–
Disposal of subsidiaries	–	–	(109,023)	–
At 31 December/31 March	<u>96,641</u>	<u>119,614</u>	<u>37,191</u>	<u>37,556</u>

The Company

	As at 31 December			As at
	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
At 1 January	2,496	23,662	23,662	26,540
Allowance for the year/period	21,166	–	2,878	2,804
	<u>23,662</u>	<u>23,662</u>	<u>26,540</u>	<u>29,344</u>
At 31 December/31 March	<u>23,662</u>	<u>23,662</u>	<u>26,540</u>	<u>29,344</u>

As at 31 December 2019, 31 December 2020, 31 December 2021 and 31 March 2022, the fair values of trade and bills receivables of the Group approximated to their carrying amounts.

Bills receivables represent short-term bank acceptance bills receivables that entitle the Group to receive the full face amount from the banks at maturity, which generally ranges from 3 to 12 months from the date of issuance. Historically, the Group had experienced no credit losses on bills receivable. The Group from time to time endorses bills receivable to suppliers in order to settle trade payables.

As at 31 December 2019, 31 December 2020, 31 December 2021 and 31 March 2022, the Group endorsed certain bank acceptance bills to suppliers for settling trade payables of the same amount on a full recourse basis. The Group has derecognised these bills receivable and payables to suppliers in their entirety. These derecognised bank acceptance bills had a maturity date of less than 12 months from the end of the reporting period. In the opinion of the directors, the Group has transferred substantially all the risks and rewards of ownership of these bills and has discharged its obligation of the payables to its suppliers, and the Group has limited exposure in respect of the settlement obligation of these bills receivables under the relevant PRC rules and regulations, should the issuing banks fail to settle the bills on maturity date. The Group considered the issuing banks of these bills are of good credit quality and non-settlement of these bills by the issuing banks on maturity is not probable. As at 31 December 2019, 31 December 2020, 31 December 2021 and 31 March 2022, the Group's maximum exposure to loss and undiscounted cash outflow, which is same as the amount payable by the Group to suppliers in respect of the endorsed bills, should the issuing banks fail to settle the bills on maturity date, amounted to RMB93,865,000, RMB25,131,000, RMB111,950,000 and RMB413,482,000 respectively.

As at 31 December 2019, 31 December 2020, 31 December 2021 and 31 March 2022, bills receivable of RMB326,140,000, RMB40,423,000, RMB Nil and RMB200,000,000 were discounted to banks or other financial institutions with recourse, where substantially the risks and rewards of ownership had not been transferred respectively. Since the Group has continuing involvement in the transferred assets, these discounted bills receivable were therefore not derecognised.

The carrying amounts of the Group's trade and bills receivables are denominated in the following currencies:

	As at 31 December			As at
	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
RMB	1,104,635	1,226,195	2,707,451	4,990,575
US\$	37,015	20,124	7,120	7,364
EUR	231	–	133	–
	<u>1,141,881</u>	<u>1,246,319</u>	<u>2,714,704</u>	<u>4,997,939</u>

The Company's trade and bills receivables are denominated in RMB.

29. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Deposits paid for acquisition of property, plant and equipment (note (a))	252,455	484,181	1,675,984	2,314,271
Prepayments	54,833	48,659	571,998	1,289,366
Other tax receivables (note (b))	395,541	542,868	1,042,216	1,469,303
Government subsidies receivable	71,571	—	—	50,000
Other deposits	4,343	4,657	28,176	103,053
Consideration receivables	—	—	—	1,087,800
Other receivables	7,792	32,437	3,359	4,499
	<u>786,535</u>	<u>1,112,802</u>	<u>3,321,733</u>	<u>6,318,292</u>
Analysed as:				
Non-current assets	252,455	484,181	1,675,984	2,314,271
Current assets	<u>534,080</u>	<u>628,621</u>	<u>1,645,749</u>	<u>4,004,021</u>
	<u>786,535</u>	<u>1,112,802</u>	<u>3,321,733</u>	<u>6,318,292</u>

Notes:

- (a) As at 31 December 2019, 31 December 2020, 31 December 2021 and 31 March 2022, deposit of RMB Nil, RMB24,000,000, RMB24,000,000 and RMB24,000,000 respectively were paid to Dongli New Energy Technology, a subsidiary of a shareholder of the Company, for purchasing property, plant and equipment. The amounts were non-trade in nature, unsecured, interest free and non-refundable. During the year ended 31 December 2021, the deposits increased significantly due to the construction of new production lines and laboratory building in Changzhou.
- (b) Other tax receivables mainly represented the deductible input value added tax ("VAT"). The amounts increased during the Track Record Period as the Group obtained a large number of input VAT invoices from the construction of production lines and the purchase of raw materials.

The Company

	As at 31 December			As at
	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	RMB'000
Deposits paid for acquisition of property, plant and equipment	185,828	145,324	182,107	331,948
Prepayments	49,631	20,010	142,659	682,474
Other tax receivables	314,611	349,067	175,737	132,881
Consideration receivables	–	–	–	1,087,800
Government subsidies receivable	–	–	–	50,000
Other receivables	6,789	4,990	7,512	7,806
	<u>556,859</u>	<u>519,391</u>	<u>508,015</u>	<u>2,292,909</u>
Analysed as:				
Non-current assets	185,828	145,324	182,107	331,948
Current assets	371,031	374,067	325,908	1,960,961
	<u>556,859</u>	<u>519,391</u>	<u>508,015</u>	<u>2,292,909</u>

Reconciliation of allowances for prepayments, deposits and other receivables:

The Group

	As at 31 December			As at
	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January	1,215	5,446	6,727	4,679
Acquisition of subsidiaries	2,572	–	–	–
Disposal of subsidiaries	–	–	(2,730)	–
Allowance for the year/period	1,659	1,281	682	154
	<u>5,446</u>	<u>6,727</u>	<u>4,679</u>	<u>4,833</u>
At 31 December/31 March	<u>5,446</u>	<u>6,727</u>	<u>4,679</u>	<u>4,833</u>

The Company

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January	1,215	2,043	3,570	4,619
Allowance/(reversal of allowance) for the year/period	828	1,527	1,049	(244)
At 31 December/31 March	2,043	3,570	4,619	4,375

The carrying amounts of the Group's and the Company's prepayments, deposits and other receivables are denominated in the following currencies:

The Group

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
RMB	783,640	1,111,892	3,321,128	6,316,711
US\$	2,895	910	605	1,581
	786,535	1,112,802	3,321,733	6,318,292

The Company

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
RMB	553,964	519,380	507,411	2,291,328
US\$	2,895	11	604	1,581
	556,859	519,391	508,015	2,292,909

30. BALANCES WITH RELATED PARTIES

The Group

		As at 31 December			As at
	Note	2019	2020	2021	31 March
		RMB'000	RMB'000	RMB'000	2022
					RMB'000
<i>Trade receivables</i>					
– CALB USA	(v)	26,674	11,210	–	–
– Luoyang Company		–	–	666,037	564,231
		<u>–</u>	<u>–</u>	<u>666,037</u>	<u>564,231</u>
	28	26,674	11,210	666,037	564,231
Allowance for doubtful debts		–	–	(10,783)	(2,106)
		<u>–</u>	<u>–</u>	<u>(10,783)</u>	<u>(2,106)</u>
		<u>26,674</u>	<u>11,210</u>	<u>655,254</u>	<u>562,125</u>
<i>Deposits paid for acquisition of property, plant and equipment</i>					
Non-trade related:					
– Dongli New Energy Technology	29	–	24,000	24,000	24,000
		<u>–</u>	<u>24,000</u>	<u>24,000</u>	<u>24,000</u>
<i>Amounts due from related parties</i>					
Trade-related:					
– Luoyang Company	(vii)	–	–	813,073	992,633
Non-trade related:					
– CALB USA		3,666	–	–	–
– Luoyang Company		–	–	132,278	32,444
– Shanghai Yangmai	(v)	29	3,550	–	–
– Huake Engineering	(iii)	3,022	2,219	381	391
– Jincheng Technology		–	–	979,200	479,200
		<u>–</u>	<u>–</u>	<u>979,200</u>	<u>479,200</u>
		<u>6,717</u>	<u>5,769</u>	<u>1,924,932</u>	<u>1,504,668</u>

		As at 31 December			As at
	Note	2019	2020	2021	31 March
		RMB'000	RMB'000	RMB'000	2022
					RMB'000
<i>Trade payables</i>					
– Luoyang Company	33	–	–	203,526	–
		<u>–</u>	<u>–</u>	<u>203,526</u>	<u>–</u>
<i>Loan from a subsidiary of a shareholder</i>					
Non-trade related:					
Current – Unsecured and repayable within one year					
– Jinsha Capital Management	(iv)	45,907	–	–	–
<i>Loan from a shareholder</i>					
Non-trade related:					
Non current – Unsecured and repayable after one year					
– Jinsha Investment	(iv)	650,260	–	–	–
		<u>650,260</u>	<u>–</u>	<u>–</u>	<u>–</u>
		<u>696,167</u>	<u>–</u>	<u>–</u>	<u>–</u>
<i>Amounts due to related parties</i>					
Trade related:					
– Shanghai Yangmai	(v)	4,700	4,700	–	–
Non-trade related:					
– Luoyang Company		–	–	12,890	3,317
– Huake Engineering		173	24,558	160	150
– Jiangsu Chengdong Construction		–	–	9,814	35,410
		<u>–</u>	<u>–</u>	<u>9,814</u>	<u>35,410</u>
		<u>4,873</u>	<u>29,258</u>	<u>22,864</u>	<u>38,877</u>
Total amounts due to related parties		701,040	29,258	22,864	38,877
Less: Amounts due to related parties – current portion		<u>(50,780)</u>	<u>(29,258)</u>	<u>(22,864)</u>	<u>(38,877)</u>
Total amount due to related parties – non-current portion		<u>650,260</u>	<u>–</u>	<u>–</u>	<u>–</u>

The Company

	Note	As at 31 December			As at
		2019	2020	2021	31 March
		RMB'000	RMB'000	RMB'000	2022
					RMB'000
<i>Trade receivables</i>					
– Xiamen Company		–	2,102	553	1,635
– Luoyang Company		1,053,804	652,108	258	258
– Jiangsu Research Institute		9,234	53,152	173,185	206,708
– Jiangsu Company		–	–	4,345,428	7,660,168
	28	<u>1,063,038</u>	<u>707,362</u>	<u>4,519,424</u>	<u>7,868,769</u>
<i>Amounts due from related parties</i>					
Trade-related:					
– Luoyang Company	(vii)	–	250,000	813,073	992,633
– Jiangsu Research Institute		–	58,469	175,465	101,584
Non-trade related					
– Xiamen Company		246,960	48,557	–	6,298
– Luoyang Company		–	62,291	104,028	–
– Jiangsu Research Institute		4,585	21,610	109,541	123,708
– Jiangsu Company		–	–	2,441,421	2,684,236
– Huake Engineering		746	369	369	369
– Jincheng Technology		–	–	979,200	479,200
– Chengdu Company		–	–	–	2,339
– Wuhan Company		–	–	–	297
		<u>252,291</u>	<u>441,296</u>	<u>4,623,097</u>	<u>4,390,664</u>
<i>Trade payables</i>					
– Luoyang Company		9,217	–	122,098	–
– Xiamen Company		–	1,262,632	3,575,304	5,176,298
– Jiangsu Research Institute		–	7,880	21,390	131,187
– Jiangsu Company		–	–	1,389,278	2,418,848
	33	<u>9,217</u>	<u>1,270,512</u>	<u>5,108,070</u>	<u>7,726,333</u>
<i>Loan from a shareholder</i>					
Non-trade related:					
Non current – Unsecured and repayable after one year					
– Jinsha Investment	(iv)	<u>650,260</u>	<u>–</u>	<u>–</u>	<u>–</u>

<i>Note</i>	As at 31 December			As at
	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
<i>Amounts due to related parties</i>				
Non-trade related:				
– Luoyang Company	300,697	–	4	3,317
– Huake Engineering	–	316	160	150
– Xiamen Company	–	13	–	22
– Jiangsu Research Institute	–	–	3	583
– Jiangsu Company	–	–	191,289	193,935
– Jiangsu Chengdong Construction	–	–	45	–
– Chengdu Company	–	–	–	68
– Wuhan Company	–	–	–	51
– Shenzhen Research Institute	–	–	–	85,373
	<u>300,697</u>	<u>329</u>	<u>191,501</u>	<u>283,499</u>
Total amounts due to related parties	950,957	329	191,501	283,499
Less: Amounts due to related parties – current portion	<u>(300,697)</u>	<u>(329)</u>	<u>(191,501)</u>	<u>(283,499)</u>
Total amount due to related parties – non-current portion	<u>650,260</u>	<u>–</u>	<u>–</u>	<u>–</u>

Notes:

- (i) The trade-related outstanding balances with related parties are unsecured, non-interest bearing and repayable within credit term 180 days.
- (ii) The non-trade related balances with related parties are unsecured, non-interest bearing and repayables on demand.
- (iii) As at 31 December 2019, 2020, 2021 and 31 March 2022, allowance of RMB122,000, RMB428,000, RMB155,000 and RMB155,000 were made respectively for estimated irrecoverable amount due from Huake Engineering during the Track Record Period.
- (iv) The loan balances due from Jinsha Capital Management and Jinsha Investment, which bear interest ranged from 1.2% to 7.8% per annum, were repayable within one year and in March 2031 respectively. As set out in note 47(c), the loan from Jinsha Investment was converted into paid-in capital of the Company during the year ended 31 December 2020.
- (v) The entities were no longer recognised as an associate or a joint venture of the Group after the Company disposed 51% of equity interest in Luoyang Company, a company directly held the equity interests in both entities, in November 2021.
- (vi) No allowances were made for the amount due from a joint venture during the Track Record Period.
- (vii) The balance represents the prepayment for the purchase of goods in accordance with the contractual term.
- (viii) The balances due from related parties of non-trade in nature, including deposits paid to Dongli New Energy Technology for acquisition of property, plant and equipment, will be fully settled before the Listing.
- (ix) The balances due to related parties of non-trade in nature will not be fully settled before the Listing.

31. OTHER FINANCIAL ASSETS

(a) Financial assets at FVTPL

The Group

	As at 31 December			As at
	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Included in current assets:				
Investment in wealth management products, at fair value (i)	89,726	—	—	—
Investments in commodity linked structured products, at fair value (ii)	—	1,002,420	3,713,705	402,103
Investment in listed equity security, at fair value (iii)	—	—	—	116,765
	<u>89,726</u>	<u>1,002,420</u>	<u>3,713,705</u>	<u>518,868</u>

The Company

	As at 31 December			As at
	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Included in current assets:				
Investment in wealth management products, at fair value (i)	—	—	—	—
Investments in commodity linked structured products, at fair value (ii)	—	1,002,420	3,713,705	402,103
Investment in listed equity security, at fair value (iii)	—	—	—	116,765
	<u>—</u>	<u>1,002,420</u>	<u>3,713,705</u>	<u>518,868</u>

- (i) The Group invested in wealth management products offered by bank in the PRC. The principals of investment were not guaranteed by the bank under normal circumstances. The wealth management products offer variable returns ranged from 2.5% p.a. to 3.3% p.a..
- (ii) As at 31 March 2022, the Group invested in certain short term structured products offered by bank in the PRC. The principals of investment were guaranteed by the bank under normal circumstances (except for forced majeure situations). The structured products offer variable returns ranged from 0.9% p.a. to 3.4% p.a. (31 December 2021: 0.8% p.a. to 3.3% p.a., 2020: 2.3% p.a. to 3.3% p.a.) which depends on the settlement price of gold, market price of certain listed funds, ETF, index and exchange rate of foreign currency, at the end of the investment period of the structured products.
- (iii) The Group invested RMB100 million in a company incorporated in PRC and listed in the Shenzhen Stock Exchange and owned approximately 0.5% equity interests in the company. The investment has six months lock-up period from 17 March 2022 to 17 September 2022. The fair value of the investment is based on current bid price.

The fair value of the wealth management products and the commodity linked structured products are based on the principals plus accrued returns estimated by the expected average returns on those contracts.

The carrying amount of the above financial assets are mandatorily measured at FVTPL in accordance with IFRS 9.

The Group's and the Company's financial assets at FVTPL are denominated in RMB.

(b) Financial assets at FVTOCI

The Group

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Included in current assets:				
Certificate of deposit	–	1,601,269	2,468,870	2,488,009

The Company

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Included in current assets:				
Certificate of deposit	–	1,601,269	2,468,870	2,488,009

The Group invested in “3-year certificate of deposit” offered by bank in the PRC with the terms that the Group could not withdraw the deposits in advance but could sell them to others. The annual interest rates are fixed in the range of 3.15% p.a. to 3.79% p.a.. As the Group managed the above financial product with the objective of both the collection of contractual cash flows and sale, it was recognised as financial assets at FVTOCI in the consolidated financial statements.

The Group's and the Company's financial assets at FVTOCI are denominated in RMB.

32. PLEDGED BANK DEPOSITS, RESTRICTED BANK BALANCES AND BANK AND CASH BALANCES

(a) Pledged bank deposits

The Group's pledged bank deposits represented deposits pledged to banks for issuance of bank acceptance bills, letter of credit. The amount was denominated in RMB.

Conversion of the above balances from RMB into foreign currencies and from foreign currencies into RMB is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

(b) Restricted bank balances

The Group's restricted bank balances represented bank balances restricted for construction of lithium-ion battery manufacturing plant. The amount was denominated in RMB.

Conversion of the above balances from RMB into foreign currencies and from foreign currencies into RMB is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

(c) Bank and cash balances

Bank and cash balances of the Group deposited with banks in the PRC are denominated in the following currencies:

The Group

	As at 31 December			As at
	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
RMB	351,227	1,620,162	3,086,563	3,328,049
US\$	50,325	72,030	17,861	27,118
CHF	42,815	–	–	–
EUR	862	1,092	5,094	10,329
	<u>445,229</u>	<u>1,693,284</u>	<u>3,109,518</u>	<u>3,365,496</u>

The Company

	As at 31 December			As at
	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
RMB	150,770	866,452	1,643,766	572,950
US\$	–	965	17,861	27,118
EUR	–	–	4,959	6,625
	<u>150,770</u>	<u>867,417</u>	<u>1,666,586</u>	<u>606,693</u>

Conversion of the above balances from RMB into foreign currencies and from foreign currencies into RMB is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

33. TRADE AND BILLS PAYABLES**The Group**

	As at 31 December			As at
	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Trade payables				
Payables to third parties	906,987	1,272,789	3,241,652	4,418,112
Due to related parties (note 30)	–	–	203,526	–
Bills payables	1,129,992	1,383,929	2,871,688	3,840,658
	<u>2,036,979</u>	<u>2,656,718</u>	<u>6,316,866</u>	<u>8,258,770</u>

As at 31 December 2019, 31 December 2020, 31 December 2021 and 31 March 2022, bills payables were secured by bills receivables of RMB203,130,000, RMB172,114,000, RMB476,004,000 and RMB682,441,000 respectively.

The Company

	As at 31 December			As at
	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Trade payables				
Payables to third parties	538,159	237,717	493,778	719,667
Due to related parties (<i>note 30</i>)	9,217	1,270,512	5,108,070	7,726,333
Bills payables	854,105	517,751	943,200	1,525,461
	<u>1,401,481</u>	<u>2,025,980</u>	<u>6,545,048</u>	<u>9,971,461</u>

The aging analysis of trade payables, based on the date of receipt of goods is as follows:

The Group

	As at 31 December			As at
	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
0 to 180 days	859,219	1,234,387	3,439,948	4,416,201
181 – 365 days	34,320	17,712	976	–
1 – 2 years	12,089	10,579	654	618
Over 2 years	1,359	10,111	3,600	1,293
	<u>906,987</u>	<u>1,272,789</u>	<u>3,445,178</u>	<u>4,418,112</u>

The Company

	As at 31 December			As at
	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
0 to 180 days	527,956	1,497,390	5,596,668	8,444,093
181 – 365 days	18,057	3,147	926	–
1 – 2 years	1,360	6,424	654	618
Over 2 years	3	1,268	3,600	1,289
	<u>547,376</u>	<u>1,508,229</u>	<u>5,601,848</u>	<u>8,446,000</u>

The carrying amounts of the Group's trade and bills payables are denominated in the following currencies:

The Group

	As at 31 December			As at
	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
RMB	2,036,529	2,656,718	6,314,271	8,258,148
US\$	450	–	2,595	622
	<u>2,036,979</u>	<u>2,656,718</u>	<u>6,316,866</u>	<u>8,258,770</u>

The Company

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
RMB	1,401,031	2,025,980	6,542,543	9,970,839
US\$	450	–	2,505	622
	<u>1,401,481</u>	<u>2,025,980</u>	<u>6,545,048</u>	<u>9,971,461</u>

34. ACCRUALS AND OTHER PAYABLES

The Group

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Deposits received	19,086	42,530	82,074	126,693
Accrued salaries	113,379	150,768	139,657	138,292
Accrued expenses	11,711	17,975	142,838	182,333
Fund advanced from government-related entity (<i>note</i>)	–	500,000	500,000	500,000
Payable for property, plant and equipment	468,923	736,564	1,207,095	1,596,156
Other tax payables	8,504	24,626	21,406	16,908
Other payables	<u>23,827</u>	<u>38,171</u>	<u>25,709</u>	<u>27,011</u>
	<u>645,430</u>	<u>1,510,634</u>	<u>2,118,779</u>	<u>2,587,393</u>

The Company

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Deposits received	10,775	27,192	24,036	24,616
Accrued salaries	49,571	78,569	42,659	38,887
Accrued expenses	2,288	6,085	5,697	10,082
Payable for property, plant and equipment	335,872	520,858	1,579	7
Other tax payables	3,289	5,805	6,105	1,631
Other payables	<u>3</u>	<u>1,817</u>	<u>15,428</u>	<u>16,370</u>
	<u>401,798</u>	<u>640,326</u>	<u>95,504</u>	<u>91,593</u>

Note: Finance Bureau of Xiamen City ultimately controlled certain shareholders of the Company and has significant influence over the Group. During the year ended 31 December 2020 and 2021, the Group received certain funds from the Xiamen City government-related entity. As at 31 December 2021, the funds of RMB1,000 million were recognised as government grant and transferred to deferred income. The remaining funds of RMB500 million have not yet been recognised as government grant as at respective end of reporting period as the Group has not yet received the official confirmation of meeting the conditions attaching to the grant.

The carrying amounts of the Group's accruals and other payables are denominated in the following currencies:

The Group

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
RMB	644,742	1,500,835	2,098,449	2,561,978
US\$	688	–	–	–
JPY	–	9,799	20,330	25,415
	<u>645,430</u>	<u>1,510,634</u>	<u>2,118,779</u>	<u>2,587,393</u>

The Company

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
RMB	<u>401,798</u>	<u>640,326</u>	<u>95,504</u>	<u>91,593</u>

35. CONTRACT LIABILITIES

Contract liabilities are mainly advance payments from customers. The amounts are expected to be recognised as revenue within 1 year from the end of the respective reporting period.

The Group

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Billings in advance of performance obligation				
– arising from sales of products	<u>26,585</u>	<u>32,014</u>	<u>106,918</u>	<u>134,162</u>

The Company

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Billings in advance of performance obligation				
– arising from sales of products	<u>65</u>	<u>8</u>	<u>106,031</u>	<u>133,976</u>

Movements in contract liabilities:

The Group

	Year ended 31 December			For the period ended 31 March
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at beginning of year/period	–	26,585	32,014	106,918
Acquisition of subsidiaries	40,812	–	–	–
Increase in contract liabilities as a result of billings in advance of battery sales	26,585	32,014	122,989	134,162
Decrease in contract liabilities as a result of recognising revenue during the year/period	(40,812)	(26,585)	(32,014)	(106,918)
Disposal of subsidiaries	–	–	(16,071)	–
	<u>–</u>	<u>–</u>	<u>(16,071)</u>	<u>–</u>
Balance at end of year/period	<u>26,585</u>	<u>32,014</u>	<u>106,918</u>	<u>134,162</u>

The Company

	Year ended 31 December			For the period ended 31 March
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at beginning of year/period	–	65	8	106,031
Increase in contract liabilities as a result of billings in advance of battery sales	65	8	106,031	133,976
Decrease in contract liabilities as a result of recognising revenue during the year/period	–	(65)	(8)	(106,031)
	<u>–</u>	<u>(65)</u>	<u>(8)</u>	<u>(106,031)</u>
Balance at end of year/period	<u>65</u>	<u>8</u>	<u>106,031</u>	<u>133,976</u>

36. DEFERRED INCOME**The Group**

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Government subsidies	<u>249,656</u>	<u>217,774</u>	<u>914,108</u>	<u>829,647</u>
Analysed as:				
Non-current liabilities	<u>249,656</u>	<u>217,774</u>	<u>914,108</u>	<u>829,647</u>

The Company

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Government subsidies	7,281	8,290	9,958	9,597
Analysed as:				
Non-current liabilities	7,281	8,290	9,958	9,597

The movements in deferred income related to government grants and subsidies during the Track Record Period are as follows:

The Group

	Year ended 31 December			For the period ended 31 March
	2019	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January	95,691	249,656	217,774	914,108
Received	10,559	6,924	9,568	15,275
Transferred from other payables	–	–	1,000,000	–
Acquisition of subsidiaries	168,552	–	–	–
Released to profit or loss	(25,146)	(38,806)	(205,309)	(99,736)
Disposal of subsidiaries	–	–	(107,925)	–
At 31 December/31 March	249,656	217,774	914,108	829,647

The Company

	Year ended 31 December			For the period ended 31 March
	2019	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January	5,622	7,281	8,290	9,958
Received	2,620	2,140	3,109	–
Released to profit or loss	(961)	(1,131)	(1,441)	(361)
At 31 December/31 March	7,281	8,290	9,958	9,597

Various government grants have been received for basic research and development activities. Government grants received for which related expenditure has not yet been undertaken are included in deferred income in the consolidated statement of financial position. A certain grant received relates to an asset is also credited to deferred income and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

37. LEASE LIABILITIES

The Group

	Minimum lease payments				Present value of minimum lease payments			
	As at 31 December			As at	As at 31 December			As at
	2019	2020	2021	31 March	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	23,650	5,872	12,221	22,086	22,230	5,346	11,042	17,655
In the second to fifth years, inclusive	<u>74,044</u>	<u>5,872</u>	<u>16,449</u>	<u>96,712</u>	<u>69,511</u>	<u>5,612</u>	<u>15,709</u>	<u>83,717</u>
	97,694	11,744	28,670	118,798	91,741	10,958	26,751	101,372
Less: Future finance charges	<u>(5,953)</u>	<u>(786)</u>	<u>(1,919)</u>	<u>(17,426)</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Present value of lease obligations	<u>91,741</u>	<u>10,958</u>	<u>26,751</u>	<u>101,372</u>	91,741	10,958	26,751	101,372
Less: Amount due for settlement within 12 months (shown under current liabilities)					<u>(22,230)</u>	<u>(5,346)</u>	<u>(11,042)</u>	<u>(17,655)</u>
Amount due for settlement after 12 months					<u>69,511</u>	<u>5,612</u>	<u>15,709</u>	<u>83,717</u>

The weighted average incremental borrowing rates applied to lease liabilities:

	As at 31 December			As at
	2019	2020	2021	31 March
	%	%	%	2022
Range from	<u>4.75</u>	<u>4.75</u>	<u>4.75</u>	<u>4.75</u>

The Group's lease liabilities are denominated in RMB.

The Company

	Minimum lease payments				Present value of minimum lease payments			
	As at 31 December			As at	As at 31 December			As at
	2019	2020	2021	31 March	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	–	–	629	754	–	–	554	686
In the second to fifth years, inclusive	–	–	1,319	1,132	–	–	1,264	1,091
	–	–	1,948	1,886	–	–	1,818	1,777
Less:								
Future finance charges	–	–	(130)	(109)	N/A	N/A	N/A	N/A
Present value of lease obligations	–	–	1,818	1,777	–	–	1,818	1,777
Less:								
Amount due for settlement within 12 months (shown under current liabilities)					–	–	(554)	(686)
Amount due for settlement after 12 months					–	–	1,264	1,091

The weighted average incremental borrowing rates applied to lease liabilities:

	As at 31 December			As at
	2019	2020	2021	31 March
	%	%	%	2022
Range from	–	–	4.75	4.75

The Company's lease liabilities are denominated in RMB.

38. BORROWINGS

The Group

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Bank borrowings	875,829	827,459	2,890,647	5,128,777

The borrowings are repayable as follows:

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	626,810	687,459	3,647	205,574
More than one year, but not exceeding two years	249,019	10,000	240,469	250,000
More than two years, but not more than five years	–	130,000	1,713,390	3,242,500
More than five years	–	–	933,141	1,430,703
	875,829	827,459	2,890,647	5,128,777
Less: Amount due for settlement within 12 months (shown under current liabilities)	(626,810)	(687,459)	(3,647)	(205,574)
Amount due for settlement after 12 months	249,019	140,000	2,887,000	4,923,203

The carrying amounts of the Group's borrowings are denominated in the RMB.

The average interest rates at 31 December 2019, 2020, 2021 and 31 March 2022 were as follows:

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	%	%	%	%
Bank borrowings	4.89	4.44	4.41	4.34

The following bank loans are arranged at fixed interest rates and expose the Group to fair value interest rate risk. Other borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Arranged at fixed interest rates	–	386,794	–	2,132,182

As at 31 March 2022, bank loans of RMB4,280,000,000 (31 December 2021: RMB2,887,000,000, 2020: N/A, 2019: N/A), are secured by the Group's property, plant and equipment of RMB996,400,000 (31 December 2021: RMB1,003,207,000) (Note 20) and right-of-use assets of RMB349,945,000 (31 December 2021: RMB167,356,000) (note 21).

Certain banking facilities of Luoyang Company are subject to the fulfilment of covenants relating to the subsidiary's financial position, performance and results. If Luoyang Company was to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors Luoyang Company's compliance with these covenants. As at 31 December 2019, 2020 and 7 November 2021, none of the covenants relating to banking facilities had been breached.

The Company

	As at 31 December			As at
	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Bank borrowing	—	—	1,088,291	1,551,811

The borrowings are repayable as follows:

	As at 31 December			As at
	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Within one year	—	—	1,291	201,811
More than one year, but not more than two years	—	—	40,469	50,000
More than two years, but not more than five years	—	—	413,390	512,500
More than five years	—	—	633,141	787,500
	—	—	1,088,291	1,551,811
Less: Amount due for settlement within 12 months (shown under current liabilities)	—	—	(1,291)	(201,811)
Amount due for settlement after 12 months	—	—	1,087,000	1,350,000

As at 31 March 2022, bank loans of RMB1,350,000,000 (31 December 2021: RMB1,087,000,000, 2020: N/A, 2019: N/A), are secured by a subsidiary's right-of-use assets of RMB17,855,000 (31 December 2021: RMB17,954,000) (note 21).

39. OTHER LOANS

	<i>Note</i>	As at 31 December			As at
		2019	2020	2021	31 March
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>Note</i>				
AVIC International Leasing Co., Ltd.* 中航國際租賃有限公司	(i)	200,897	273,546	—	—
Aviation Industry Corporation of China, Ltd.* 中國航空工業集團有限公司	(ii)	138,549	—	—	—
		<u>339,446</u>	<u>273,546</u>	<u>—</u>	<u>—</u>

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

The other loans are repayable as follows:

	As at 31 December			As at
	2019	2020	2021	31 March
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	175,711	60,564	—	—
More than one year, but not exceeding two years	38,043	63,287	—	—
More than two years, but not more than five years	<u>125,692</u>	<u>149,695</u>	<u>—</u>	<u>—</u>
	339,446	273,546	—	—
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(175,711)</u>	<u>(60,564)</u>	<u>—</u>	<u>—</u>
Amount due for settlement after 12 months	<u>163,735</u>	<u>212,982</u>	<u>—</u>	<u>—</u>

(i) The loans were denominated in RMB, secured by a charge over the Group's machinery (note 20), interest bearing at 4.82% per annum, and principal of RMB320,000,000 will be repayable by instalments of each quarterly from 2020 to 2025.

(ii) The purpose of the loan was solely for the construction of lithium-ion battery manufacturing plant.

The loan was denominated in RMB, unsecured, interest bearing at 1.08% per annum and repayable before 20 November 2020.

40. PROVISIONS

The Group**Warranties**
RMB'000

At 1 January 2019	7,057
Addition provisions	32,072
Acquisition of subsidiaries	15,326
Provisions used	(5,780)
	<hr/>
At 31 December 2019 and 1 January 2020	48,675
Addition provisions	61,487
Provisions used	(25,335)
	<hr/>
At 31 December 2020 and 1 January 2021	84,827
Addition provisions	127,205
Disposal of subsidiaries	(59,768)
Provisions used	(15,868)
	<hr/>
At 31 December 2021 and 1 January 2022	136,396
Addition provisions	76,160
Provisions used	(896)
	<hr/>
At 31 March 2022	211,660
	<hr/> <hr/>

The Company**Warranties**
RMB'000

At 1 January 2019	7,057
Addition provisions	19,698
Provisions used	(3,731)
	<hr/>
At 31 December 2019 and 1 January 2020	23,024
Addition provisions	35,875
Provisions used	(20,059)
	<hr/>
At 31 December 2020 and 1 January 2021	38,840
Addition provisions	50,952
Provisions used	(9,025)
	<hr/>
At 31 December 2021 and 1 January 2022	80,767
Addition provisions	16,859
Provisions used	(896)
	<hr/>
At 31 March 2022	96,730
	<hr/> <hr/>

A provision for warranties is recognised when the underlying products are sold. Under the terms of the Group's sales agreements, the Group will rectify any product defects arising within predominantly 3 to 8 years from the date of sale. Provision is therefore made for the best estimate of the expected settlement under these agreements in respect of products sold which are still within the warranty period. The amount of provision takes into account the Group's recent claim experience, historical warranty data and a weighting of all possible outcomes against their associated probabilities.

41. DEFERRED TAX

The Group

Deferred tax liabilities

	Revaluation of assets RMB'000	Fair value change of financial assets at FVTPL RMB'000	Accelerated tax depreciation RMB'000	Total RMB'000
At 1 January 2019	–	–	5,761	5,761
Acquisition of subsidiaries	49,875	–	–	49,875
(Credit)/charge to profit or loss for the year (note 14)	(2,599)	181	(557)	(2,975)
At 31 December 2019 and 1 January 2020	47,276	181	5,204	52,661
(Credit)/charge to profit or loss for the year (note 14)	(4,202)	181	(551)	(4,572)
At 31 December 2020 and 1 January 2021	43,074	362	4,653	48,089
Disposal of subsidiaries	(39,452)	–	–	(39,452)
(Credit)/charge to profit or loss for the year (note 14)	(3,622)	1,693	(551)	(2,480)
At 31 December 2021 and 1 January 2022	–	2,055	4,102	6,157
(Credit)/charge to profit or loss for the period (note 14)	–	775	11,684	12,459
At 31 March 2022	–	2,830	15,786	18,616

Deferred tax assets

	Tax losses <i>RMB'000</i>	Allowance on inventory <i>RMB'000</i>	Allowance on trade receivables <i>RMB'000</i>	Deferred revenue <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2019	71,171	5,572	374	14,353	3,110	94,580
Acquisition of subsidiaries (Charge)/credit to profit or loss for the year (<i>note 14</i>)	–	21,004	8,687	15,435	9,977	55,103
	(479)	14,493	5,420	(1,487)	7,190	25,137
At 31 December 2019 and 1 January 2020	70,692	41,069	14,481	28,301	20,277	174,820
(Charge)/credit to profit or loss for the year (<i>note 14</i>)	(4,164)	(30,502)	3,460	(3,537)	7,546	(27,197)
At 31 December 2020 and 1 January 2021	66,528	10,567	17,941	24,764	27,823	147,623
Disposal of subsidiaries (Charge)/credit to profit or loss for the year (<i>note 14</i>)	–	(6,107)	(16,251)	(9,613)	(19,094)	(51,065)
	2,898	2,729	4,967	203,943	51,442	265,979
At 31 December 2021 and 1 January 2022	69,426	7,189	6,657	219,094	60,171	362,537
(Charge)/credit to profit or loss for the period (<i>note 14</i>)	12,317	(2,728)	(193)	(22,220)	(4,111)	(16,935)
At 31 March 2022	81,743	4,461	6,464	196,874	56,060	345,602

As at 31 December 2019, 31 December 2020, 31 December 2021 and 31 March 2022, deferred tax assets of RMB70,692,000, RMB66,528,000, RMB69,426,000 and RMB81,743,000 respectively, were recognised in respect of unused tax losses of RMB464,159,000, RMB423,556,000, RMB317,717,000 and RMB431,904,000 respectively. According to financial forecast, the Directors have exercised their judgement to assess that there will be sufficient future taxable profits available to offset against the unused tax losses. These tax losses at end of each year or period are expected to expire in 2024 to 2029 for 31 December 2019, 2024 to 2030 for 31 December 2020 and 2024 to 2031 for 31 December 2021.

No deferred tax asset has been recognised in respect of tax losses amounted to RMB451,650,000, RMB782,429,000, RMB480,896,000 and RMB543,153,000 as at 31 December 2019, 31 December 2020, 31 December 2021 and 31 March 2022 respectively due to the unpredictability of future profit streams.

The Company*Deferred tax liabilities*

	Fair value change of financial assets at FVTPL <i>RMB'000</i>
At 1 January 2019	–
Charge to profit or loss for the year	–
At 31 December 2019 and 1 January 2020	–
Charge to profit or loss for the year	363
At 31 December 2020 and 1 January 2021	363
Charge to profit or loss for the year	1,693
At 31 December 2021 and 1 January 2022	2,056
Charge to profit or loss for the period	774
At 31 March 2022	2,830

Deferred tax assets

	Tax losses	Allowance	Allowance	Deferred	Others	Total
	<i>RMB'000</i>	<i>on inventory</i>	<i>on trade</i>	<i>revenue</i>	<i>RMB'000</i>	<i>RMB'000</i>
		<i>RMB'000</i>	<i>receivables</i>	<i>RMB'000</i>		
			<i>RMB'000</i>			
At 1 January 2019	71,171	5,572	374	843	3,110	81,070
(Charge)/credit to profit of loss for the year	(3,149)	4,341	3,175	249	4,015	8,631
At 31 December 2019 and 1 January 2020	68,022	9,913	3,549	1,092	7,125	89,701
(Charge)/credit to profit or loss for the year	(8,980)	(9,032)	–	152	5,669	(12,191)
At 31 December 2020 and 1 January 2021	59,042	881	3,549	1,244	12,794	77,510
(Charge)/credit to profit or loss for the year	(44,712)	(881)	432	250	33,454	(11,457)
At 31 December 2021 and 1 January 2022	14,330	–	3,981	1,494	46,248	66,053
(Charge)/credit to profit or loss for the period	23,530	94	421	(54)	(20,810)	3,181
At 31 March 2022	37,860	94	4,402	1,440	25,438	69,234

42. FINANCIAL GUARANTEES

The Company has provided guarantees in respect of bank loans and banking facilities granted to the Company's subsidiaries and associate. Pursuant to the terms of guarantees, if there are any defaults on the loans or similar balances, the Company is responsible to repay the outstanding principal together with accrued interests and other costs owed by the defaulting subsidiaries/associate to the banks. The Group and the Company have adopted the accounting policy for financial guarantee contracts as set out in note 4(s).

The maximum potential liability of the Company at 31 December 2019, 2020 and 2021 under the financial guarantees are the amount of bank loans drawn and other banking facilities utilised by the subsidiaries and associate under the guarantees at that date of RMB200,897,000, RMB587,126,000 and RMB500,000,000 respectively.

The maximum potential liability of the Company at 31 March 2022 under the financial guarantees are the amount of bank loans drawn and other banking facilities utilised by the subsidiaries and subsidiary of shareholders under the guarantees at that date of RMB1,475,000,000.

The maximum potential liability of the Group at 31 December 2021 under the financial guarantee in respect of bank loan granted to an associate was RMB140,000,000. Such bank loan was fully repaid in September 2022 and the corresponding financial guarantee was released thereafter.

The maximum potential liability of the Group at 31 March 2022 under the financial guarantee in respect of bank loan granted to a subsidiary of shareholders was RMB135,000,000. Such bank loan was fully repaid in September 2022 and the corresponding financial guarantee was released thereafter.

43. PUT OPTION LIABILITIES

	The Group and the Company <i>RMB'000</i>
At 1 January 2021	–
Issue of puttable equity – <i>Note (i)</i>	926,620
Changes in fair value during the year	14,512
	<hr/>
At 31 December 2021	941,132
Issue of puttable equity – <i>Note (i)</i>	1,551,270
Changes in fair value during the period	19,827
	<hr/>
At 31 March 2022	2,512,229
	<hr/> <hr/>
	The Group and the Company <i>RMB'000</i>
Analysed as:	
Current liabilities	941,132
Non-current liabilities	–
	<hr/>
At 31 December 2021	941,132
	<hr/> <hr/>
Current liabilities	2,512,229
Non-current liabilities	–
	<hr/>
At 31 March 2022	2,512,229
	<hr/> <hr/>

During the year ended 31 December 2021 and the three months ended 31 March 2022, the Company has signed investment agreements containing put options (“**Written Put Option(s)**”) with non-controlling interest shareholders of the Company’s subsidiaries namely, Chengdu Company, Wuhan Company, Hefei Company, Fujian Company and Jiangmen Company. The Written Put Options give the non-controlling interest shareholders the right to demand that the Company repurchases the equity interests of the subsidiaries held by the non-controlling shareholders within specified periods at the put option exercise prices.

The Company has presented the Written Put Options as financial liabilities (i.e. put-option liabilities) with a corresponding debit entry to equity under reserve relating to the Written Put Options. According to the investment agreements, if the Company completes a listing of the Company’s shares on any domestic or foreign stock exchange, the Written Put Options will lapse automatically and at that time the related liabilities would be transferred to equity of the Company.

Terms of the Written Put Options are set out below:

Subsidiary	Last day of exercise	Redemption amounts	Fair value at 31 December 2021 RMB'000	Fair value at 31 March 2022 RMB'000
Chengdu Company	29 May 2028	The higher of (i) value of equity interest held by non-controlling shareholder as determined by qualified professional valuer and (ii) investment principal paid by non-controlling interest shareholder	175,635	677,938
Wuhan Company	15 July 2026	To be determined with reference to valuation assessment of relevant government regulating agency	481,799	489,136
Hefei Company	25 September 2028	The highest of (i) the value of equity interest held by non-controlling shareholder as determined by qualified professional valuer and (ii) investment principal paid by non-controlling interest shareholder plus 6% p.a. simple interest	283,698	521,071
Fujian Company	22 February 2027	To be determined with reference to valuation assessment of relevant government regulating agency	–	458,244
Jiangmen Company	23 February 2030	To be determined with reference to valuation assessment of relevant government regulating agency	–	365,840
			941,132	2,512,229

Note:

- (i) The fair value of redemption amounts are estimated by the Directors using the amounts injected by non-controlling shareholders of the subsidiaries, the internal rate of return (“**IRR**”) of respective underlying projects and assuming the non-controlling interest shareholders will exercise the Written Put Options at end of the respective exercisable period. The Directors are of the opinion that the IRR used in the feasibility study of the underlying projects undertaken by the subsidiaries are the best estimate for the purpose of estimating the future redemption amounts payable by the Company. The IRR is ranged approximately from 11.4% to 13.5%. When measuring the financial liabilities of the Company and the Group for the Written Put Options, the Company's discount rate of approximately 10.3% to 10.5% is used.

44. SHARE-BASED PAYMENTS

During the year ended 31 December 2019, the Company approved and adopted a share incentive scheme (“**2019 Share Incentive Scheme**”) involving 6 senior management, namely, Ms. Liu Jingyu, Dr. Pan Fangfang, Mr. Dai Ying, Mr. Geng Yan’an, Mr. Wang Xiaoqiang and Mr. He Fan (collectively, the “**Six Senior Management**”). The purposes of the 2019 Share Incentive Scheme are to retain and incentivise the Six Senior Management in relation to operation targets of a subsidiary, Xiamen Company.

The Six Senior Management have formed a limited company, Xiamen Lihang Equity Investment (“**Share Incentive Vehicle**”). A limited partnership company, Lihang Jinzhi (“**Partnership**”) was formed, and the Share Incentive Vehicle and a related entity of a government shareholder of the Company (“**Jinyuan Industry**”) were required to contribute RMB10 million and RMB1,500 million, respectively to the Partnership. After that, the Partnership has subscribed for registered capital of the Company.

The Partnership has a prescribed operation period of 10 years, and all investment proceeds of it (after deducting expenses and tax), including all distribution, interest and dividend from the Company will be distributed to the Share Incentive Vehicle and the Jinyuan Industry in the following manner:

- (a) Distribute to the Share Incentive Vehicle and the Jinyuan Industry proportionally to their capital contribution of the Partnership until they fully recover their capital contributions to it;
- (b) Any investment proceeds in excess of (a) above will be firstly distributed to the Jinyuan Industry in an amount that represent 6% annual return to its capital contribution to the Partnership;
- (c) 2 years after all legal and regulatory requirements for freely disposing the Partnership’s equity interest in the Company are fulfilled, and after the distributions in (a) and (b) above, the Partnership shall dispose of all its equity interest in the Company. 20% of the net proceeds from the disposal will be distributed to the Share Incentive Vehicle and the remaining 80% will be distributed to the Jinyuan Industry.

The manner of distribution above enables the Six Senior Management to receive possible future cash proceeds, through the Share Incentive Vehicle, that are disproportionate to their share of capital injections into the Partnership and the amount of such future cash proceeds to be received by the Share Incentive Vehicle will depend on many factors including future price of the Company’s equity, vesting date and other factors.

The awards of the 2019 Share Incentive Scheme have been accounted for as equity-settled share-based payment. The management estimate the fair value of the awards and the length of the vesting period at grant date. The date of vesting will need to be re-estimated at each reporting date. The share-based payment expense will be recognised over the vesting period with a corresponding credit to equity of the consolidated statement of financial position as a capital contribution from government shareholder of the Company.

Independent professional valuer was engaged to assist the management to determine the grant date fair value of the awards by binomial tree method with the following assumptions and inputs:

– Vesting date initially estimated	30 July 2027
– Price per each registered capital of the Company	RMB1.02
– Risk free rate	3.69%
– Dividend yield	Nil
– Estimated volatility of return of the Company’s equity	53.72%

The fair value of the awards at grant date is estimated to be approximately RMB163 million. The following table set out the estimated vesting date adopted at each reporting date and the share-based payment expense charged to the consolidated profit and loss of the Group.

	Estimated vesting date	Share-based payment expense RMB'000
For the year ended 31 December 2019	30 July 2027	8,625
For the year ended 31 December 2020	30 July 2027	20,440
For the year ended 31 December 2021	30 July 2025	29,284

45. SHARE CAPITAL/PAID-IN CAPITAL

	Note	Paid-in capital			Three months ended	
		Year ended 31 December			31 March	
		2019	2020	2021	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)	
At the beginning of the year/period		4,000,000	6,396,732	12,768,773	12,768,773	1,506,457
Capital contribution from owners of the Company	(i)	487,305	—	—	—	—
Capital contribution from owners of the Company	(ii)	1,909,427	—	—	—	—
Capital contribution from owners of the Company	(iii)	—	599,820	—	—	—
Capital contribution from owners of the Company	(iv)	—	5,772,221	—	—	—
Reduction of capital and conversion to a joint stock limited company	(v)	—	—	(11,568,773)	—	—
Capital contribution from owners of the Company	(vi)	—	—	306,457	—	—
At the end of the year/period		<u>6,396,732</u>	<u>12,768,773</u>	<u>1,506,457</u>	<u>12,768,773</u>	<u>1,506,457</u>

Notes:

- (i) In April 2019, the Company entered into a conditional capital increase agreement with Chengfei Integration, Jinsha Investment and Huake Investment, pursuant to which total capital of approximately RMB487,451,000 was injected into the Company with approximately RMB487,305,000 and RMB146,000 credited to the Company's paid-in capital and capital reserve, respectively.
- (ii) In July 2019, Lihang Jinzhi, a limited partnership with Xiamen Lihang Equity Investment Management Company Limited (a company owned by the core management team of the Company) being its general partner, agreed to subscribed for the increased registered capital of approximately RMB1,509,547,000 at the consideration of RMB1,510 million. The amount of consideration in excess of the increased registered capital amounted to approximately RMB453,000 was credited to the Company's capital reserve. In July 2019, Jinyuan Industry, a company ultimately controlled by the Finance Bureau of Xiamen City, agreed to subscribe for the increased registered capital of approximately RMB399,880,000 at the consideration of RMB400 million. The amount of consideration in excess of the increased registered capital amounted to approximately RMB120,000 was credited to the Company's capital reserve.
- (iii) In January 2020, Jinyuan Investment, a company ultimately controlled by the Finance Bureau of Xiamen City, agreed to subscribe for increased registered capital of approximately RMB599,820,000 at the consideration of RMB600 million. The amount of consideration in excess of the increased registered capital amounted to approximately RMB180,000 was credited to the Company's capital reserve.

- (iv) In November 2020, Jinsha Investment agreed to subscribed for increased registered capital of approximately RMB631,497,000 at the consideration of RMB650 million which was settled by Jinsha Investment by capitalising a loan in the amount of RMB650 million owing to it by the Company. The amount of consideration in excess of the increased registered capital amounted to approximately RMB18,503,000 was credited to the Company's capital reserve.

In November 2020, Huake Engineering, a company ultimately controlled by Jintan SASAC, agreed to subscribe for the increased registered capital of approximately RMB1,049.79 million at the consideration of approximately RMB1,080.55 million, which was settled by Huake Engineering by way of transferring its physical assets, comprising of land, buildings and equipment, to the Company. The amount of consideration in excess of the increased registered capital amounted to approximately RMB30,759,000 was credited to the Company's capital reserve.

During November to December 2020, a group of Pre-IPO investors subscribed for the total increased registered capital of approximately RMB3,886,136,000 at an aggregate consideration of RMB4,000 million. The amount of consideration in excess of the increased registered capital amounted to approximately RMB113,864,000 was credited to the Company's capital reserve.

During November to December 2020, a group of Employees Shareholding Platforms subscribed for the total increased registered capital of approximately RMB204,799,000 at an aggregate consideration of RMB210,800,000. The amount of consideration in excess of the increased registered capital amounted to approximately RMB6,001,000 was credited to the Company's capital reserve.

- (v) On 10 November 2021, the Company converted into a joint stock company with limited liability under the Company Law of the PRC. The net asset of the Company as of the conversion base date, including paid-in capital, safety production fund and accumulated losses, amounting to approximately RMB12,803 million were converted into 1,200,000,000 shares with a nominal value of RMB1.00 each. The excess of net assets converted over nominal value of the ordinary shares was credited to the Company's capital reserve.
- (vi) In July 2021, Xiaomi Yangtze River Industry agreed to subscribe for increased registered capital of approximately RMB12,000,000 at a consideration of approximately RMB500 million. The amount of consideration in excess of the increased registered capital amounted to approximately RMB488 million was credited to the Company's capital reserve. The fund of capital increase were received in August 2021 and the registration of equity transfer were completed on 12 November 2021.

In July 2021, Chuanghe Xincui agreed to subscribe for increased registered capital of approximately RMB7,200,000 at a consideration of approximately RMB300 million. The amount of consideration in excess of the increased registered capital amounted to approximately RMB292.8 million was credited to the Company's capital reserve. The fund of capital increase were received in August 2021 and the registration of equity transfer were completed on 12 November 2021.

During July to August 2021, a group of Pre-IPO Investors agreed to subscribe for increased registered capital of approximately RMB212,158,000 at an aggregate consideration of approximately RMB8,839.9 million. The amount of consideration in excess of the increased registered capital amounted to approximately RMB8,627.74 million was credited to the Company's capital reserve. The fund of capital increase were received by October 2021 and the registration of equity transfer were completed on 12 November 2021.

In August 2021, Jintan International agreed to subscribe for increased registered capital of approximately RMB24,000,000 at the consideration of approximately RMB1,000 million. The amount of consideration in excess of the increased registered capital amounted to approximately RMB976 million was credited to the Company's capital reserve. The fund of capital increase were received by December 2021 and the registration of equity transfer were completed on 12 November 2021.

In August 2021, Xiamen Jinli No. 2 agreed to subscribe for increased registered capital of approximately RMB24,000,000 at a consideration of approximately RMB1,000 million. The amount of consideration in excess of the increased registered capital amounted to approximately RMB976 million was credited to the Company's capital reserve. The fund of capital increase were received in August 2021 and the registration of equity transfer were completed on 12 November 2021.

In September 2021, Changzhou Lihang Kaibo No. 11 agreed to subscribe for increased registered capital of approximately RMB8,642,400 at a consideration of RMB360.10 million. The amount of consideration in excess of the increased registered capital amounted to approximately RMB351.458 million was credited to the Company's capital reserve. The fund of capital increase were received in September 2021 and the registration of equity transfer were completed on 12 November 2021.

In October 2021, Shunying Investment, Zhongguancun Guosheng, Aviation Investment, Hongdu Airline and Missile Academy, minority shareholders of Luoyang Company, subscribed for increased registered capital of approximately RMB18,457,000, which was settled by way of transferring their total of 25.63% equity interest in Luoyang Company. The amount of capital contribution in excess of the increased registered capital amounted to approximately RMB750.567 million was credited to the Company's capital reserve. The registration of equity transfer were completed on 12 November 2021.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The Group monitors capital on the basis of the debt-to-equity ratio. This ratio is calculated as net debt divided by total equity including non-controlling interests.

Net debt includes loan from a shareholder, loan from a subsidiary of a shareholder, lease liabilities, interest-bearing bank borrowings, other loans, financial guarantees and put option liabilities, less cash and cash equivalents. Adjusted capital comprises all components of the Group's equity including non-controlling interests. The Group's policy is to maintain a low debt-to-equity capital ratio and this policy is unchanged. This policy will be reviewed on an annual basis.

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Loan from a shareholder (<i>note 30</i>)	650,260	—	—	—
Loan from a subsidiary of a shareholder	45,907	—	—	—
Amounts due to related parties – non-trade in nature	173	24,558	22,864	38,877
Lease liabilities	91,741	10,958	26,751	101,372
Bank borrowings	875,829	827,459	2,890,647	5,128,777
Other loans	339,446	273,546	—	—
Financial guarantees	—	—	12,354	10,719
Put option liabilities	—	—	941,132	2,512,229
	2,003,356	1,136,521	3,893,748	7,791,974
Less: Cash and cash equivalents	(445,229)	(1,693,284)	(3,109,518)	(3,365,496)
Net debt	<u>1,558,127</u>	<u>(556,763)</u>	<u>784,230</u>	<u>4,426,478</u>
Total equity including non-controlling interests	<u>6,065,799</u>	<u>12,608,621</u>	<u>24,986,124</u>	<u>24,879,356</u>
Debt-to-equity ratio	<u>0.26</u>	<u>N/A</u>	<u>0.03</u>	<u>0.18</u>

46. RESERVES**(a) The Group**

The amounts of the Group's reserves and movements therein are presented in the consolidated statements of profit or loss and other comprehensive income and consolidated statements of changes in equity.

(b) Nature and purpose of reserves**(i) Capital reserve**

Under PRC rules and regulations, capital reserve is non-distributable other than in liquidation and may be utilised for business expansion or converted into ordinary shares by the issuance of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by the shareholders.

(ii) Merger reserve

Merger reserve represents the difference of consideration paid and the carrying amount of net assets acquired in a combination under common control.

(iii) Safety production fund

Pursuant to certain regulations issued by the Ministry of Finance and the State Administration of Work Safety, the Group is required to set aside from profit after tax an amount to a legal reserve at different rates ranging from 0.05% to 2% of the total revenue recognised for the previous year. The reserve can be utilised for improvements of safety on the manufacturing work, and the amounts are generally expenses in nature and charged to the consolidated statement of profit or loss as incurred, and at the same time the corresponding amounts of safety reserve fund were utilised and transferred back to retained profits until such special reserve was fully utilised.

(iv) Contribution from shareholder

The share-based payments as set out in note 44 are credited as contribution from shareholder.

(v) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with accounting policies set out in note 4(f) to the Historical Financial Information.

(vi) Other reserve

The other reserve represents the share of other comprehensive income of associates.

(c) Movements in components of equity of the Company

	Share capital RMB'000	Capital reserve RMB'000	Contribution from shareholder RMB'000	Safety production fund RMB'000	Other reserve RMB'000	Put option reserve RMB'000	Retained earning RMB'000	Total RMB'000
At 1 January 2019	4,000,000	—	—	—	—	—	(659,227)	3,340,773
Total comprehensive income for the year	—	—	—	—	—	—	(27,333)	(27,333)
Proceeds from paid-in capital (note 45(ii))	1,909,427	573	—	—	—	—	—	1,910,000
Acquisition of subsidiaries (note 47(a))	417,575	125	—	—	—	—	—	417,700
Issue registered capital to acquire a subsidiary under common control	27,684	(7,895)	—	—	—	—	—	19,789

APPENDIX I

ACCOUNTANT'S REPORT

	Share capital RMB'000	Capital reserve RMB'000	Contribution from shareholder RMB'000	Safety production fund RMB'000	Other reserve RMB'000	Put option reserve RMB'000	Retained earning RMB'000	Total RMB'000
Issue registered capital to acquire non-controlling interests of a subsidiary	42,046	(31,391)	–	–	–	–	–	10,655
Share-based payments (note 44)	–	–	8,625	–	–	–	–	8,625
Changes in equity for the year	2,396,732	(38,588)	8,625	–	–	–	(27,333)	2,339,436
At 31 December 2019	6,396,732	(38,588)	8,625	–	–	–	(686,560)	5,680,209
At 1 January 2020	6,396,732	(38,588)	8,625	–	–	–	(686,560)	5,680,209
Total comprehensive income for the year	–	–	–	–	–	–	118,056	118,056
Proceeds from paid-in capital (note 45(iii) & (iv))	6,372,041	169,306	–	–	–	–	–	6,541,347
Share-based payments (note 44)	–	–	20,440	–	–	–	–	20,440
Safety production fund	–	–	–	5	–	–	(5)	–
Changes in equity for the year	6,372,041	169,306	20,440	5	–	–	118,051	6,679,843
At 31 December 2020	12,768,773	130,718	29,065	5	–	–	(568,509)	12,360,052
At 1 January 2021	12,768,773	130,718	29,065	5	–	–	(568,509)	12,360,052
Total comprehensive income for the year	–	–	–	–	–	–	94,084	94,084
Converted into a joint stock company with limited liability (note 45(v))	(11,568,773)	11,188,346	–	(7)	–	–	380,434	–
Proceeds from paid-in capital (note 45(vi))	288,000	11,702,000	–	–	–	–	–	11,990,000
Increasing shareholding of an associate	18,457	750,567	–	–	–	–	–	769,024
Disposal of subsidiaries	–	–	–	–	(160)	–	(48,663)	(48,823)
Put option liabilities (note 43)	–	–	–	–	–	(926,620)	–	(926,620)
Share-based payments (note 44)	–	–	29,284	–	–	–	–	29,284
Safety production fund	–	–	–	2	–	–	5	7
Changes in equity for the year	(11,262,316)	23,640,913	29,284	(5)	(160)	(926,620)	425,860	11,906,956
At 31 December 2021	1,506,457	23,771,631	58,349	–	(160)	(926,620)	(142,649)	24,267,008

	Share capital RMB'000	Capital reserve RMB'000	Contribution from shareholder RMB'000	Safety production fund RMB'000	Other reserve RMB'000	Put option reserve RMB'000	Retained earning RMB'000	Total RMB'000
At 1 January 2022	1,506,457	23,771,631	58,349	–	(160)	(926,620)	(142,649)	24,267,008
Total comprehensive income for the period	–	–	–	–	–	–	4,552	4,552
Disposal of associates	–	–	–	–	160	–	–	160
Put option liabilities (note 43)	–	–	–	–	–	(1,551,270)	–	(1,551,270)
Share-based payments (note 44)	–	–	10,019	–	–	–	–	10,019
Safety production fund	–	–	–	–	–	–	–	–
Changes in equity for the period	–	–	10,019	–	160	(1,551,270)	4,552	(1,536,539)
At 31 March 2022	<u>1,506,457</u>	<u>23,771,631</u>	<u>68,368</u>	<u>–</u>	<u>–</u>	<u>(2,477,890)</u>	<u>(138,097)</u>	<u>22,730,469</u>
Unaudited:								
At 1 January 2021	12,768,773	130,718	29,065	5	–	–	(568,509)	12,360,052
Total comprehensive income for the period	–	–	–	–	–	–	81,401	81,401
Share-based payments (note 44)	–	–	7,221	–	–	–	–	7,221
Safety production fund	–	–	–	(5)	–	–	5	–
Changes in equity for the period	–	–	7,221	(5)	–	–	81,406	88,622
At 31 March 2021	<u>12,768,773</u>	<u>130,718</u>	<u>36,286</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(487,103)</u>	<u>12,448,674</u>

47. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Acquisition of subsidiaries

On 1 July 2019, the Group had acquired 73.36% equity interest in Luoyang Company, a company incorporated in PRC. Luoyang Company is principally engaged in the design, research and development, manufacturing and sales of EV battery for civil and military industrial use and ESS products. The acquisition is for the purpose of expansion of the Group's production capacity.

The fair value of the identifiable assets and liabilities of Luoyang Company (including CALB (Beijing)) acquired as at the date of completion, is as follows:

	<i>RMB'000</i>
Net assets acquired:	
Property, plant and equipment	1,788,975
Right-of-use assets	181,754
Intangible assets	210,251
Investments in associates	67,112
Deferred tax assets	55,103
Inventories	594,591
Trade and bills receivables	856,435
Prepayment, deposits and other receivables	170,916
Amount due from Chengfei Integration	1,094,282
Amounts due from related companies	7,775
Amount due from an associate	30,573
Amount due from a joint venture	148
Current tax assets	402
Pledged deposits	159,968
Bank and cash balances	151,223
Trade and bills payables	(1,800,949)
Contract liabilities	(40,812)
Amounts due to related parties	(12,127)
Loans from related parties	(444,510)
Accruals and other payables	(333,351)
Bank borrowings	(633,934)
Provisions	(15,326)
Deferred income	(168,552)
Deferred tax liabilities	(49,875)
	<hr/>
	1,870,072
Non-controlling interests	(498,187)
Goodwill (<i>note 22</i>)	140,097
	<hr/>
	1,511,982
	<hr/> <hr/>
Satisfied by:	
Cash consideration payable	1,094,282
Share issued	417,700
	<hr/>
	1,511,982
	<hr/> <hr/>
Net cash inflow arising on acquisition:	
Cash and cash equivalents acquired	151,223
	<hr/> <hr/>

The fair value of trade and bill receivables, prepayment, deposits and other receivables acquired is approximately RMB856,435,000 and RMB170,916,000 respectively. All of the contractual cash flows are expected to be collected in full.

The goodwill arising on the acquisition of Luoyang Company is attributable to the expected synergies of the combination.

Luoyang Company contributed approximately RMB626,667,000 to the Group's revenue for the year ended 31 December 2019 for the period from the date of acquisition to 31 December 2019. Luoyang Company incurred approximately RMB120,072,000 to the Group's loss for the year ended 31 December 2019 for the period from the date of acquisition to 31 December 2019.

If the acquisition had been completed on 1 January 2019, total Group revenue for the year would have been RMB1,927,038,000, and loss for the year would have been RMB167,420,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2019, nor is intended to be a projection of future results.

(b) Disposal of subsidiaries

On 8 November 2021, the Group disposed of 51% equity interest in Luoyang Company to Jincheng Technology the consideration of RMB1,530 million with corresponding RMB397.8 million compensation to Jincheng Technology determined subsequently. After the disposal, the Group held 23.37% equity interest in Luoyang Company and recognised such interest as investments in associates. Details of the compensation arrangement are set out in note 52(d).

A summary of the effects of the disposal of Luoyang Company (including CALB (Beijing)) at the date of disposal is as follows:

	<i>RMB'000</i>
Property, plant and equipment	2,138,912
Right-of-use assets	171,092
Intangible assets	145,986
Investments in associates	77,089
Deposits paid for acquisition of property, plant and equipment	77,915
Deferred tax assets	51,065
Inventories	877,091
Trade and bill receivables	921,257
Prepayments, deposits and other receivables	91,110
Amounts due from related parties	101,373
Pledged bank deposits	167,238
Bank and cash balances	177,355
Trade and bill payables	(1,166,906)
Accruals and other payables	(160,840)
Amounts due to related parties	(1,573,410)
Contract liabilities	(16,071)
Bank borrowings	(308,398)
Provisions	(59,768)
Deferred income	(107,925)
Deferred tax liabilities	(39,452)
	<hr/>
Net assets disposed of	1,564,713
Non-controlling interests	(401,036)
Goodwill	140,097
Retained interest in associate	(518,814)
Gain on disposal of subsidiaries (<i>note 11</i>)	347,240
	<hr/>
Total consideration (net of compensation) (<i>note 25(d)</i>)	1,132,200
	<hr/>
Satisfied by:	
Cash consideration received	153,000
Amount due from Jincheng Technology (<i>note 30</i>)	979,200
	<hr/>
	1,132,200
	<hr/>
Net cash outflow arising on disposal:	
Cash consideration received	153,000
Cash and cash equivalents disposed of	(177,355)
	<hr/>
	(24,355)
	<hr/>

(c) Major non-cash transaction

During the year ended 31 December 2020, the loan from a shareholder amounting RMB650 million have been converted into paid-in capital of the Company.

During the year ended 31 December 2020, the physical assets, comprising of land, buildings and equipment, amounting RMB1,080.55 million have been transferred as capital injection to the Company from Huake Engineering.

(d) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	1 January 2019 RMB'000	Cash flows RMB'000	Inception of leases RMB'000	Interest expenses (note 13) RMB'000	Acquisition of subsidiaries (note 47(a)) RMB'000	31 December 2019 RMB'000
Loans from subsidiary of a shareholder (note 30)	–	39,221	–	6,686	–	45,907
Lease liabilities (note 37)	–	(11,571)	101,145	2,167	–	91,741
Bank borrowing (note 38)	–	222,591	–	19,304	633,934	875,829
Other loans (note 39)	–	334,336	–	5,110	–	339,446
Loan from a shareholder (note 30)	650,260	(7,908)	–	7,908	–	650,260
	<u>650,260</u>	<u>576,669</u>	<u>101,145</u>	<u>41,175</u>	<u>633,934</u>	<u>2,003,183</u>

	1 January 2020 RMB'000	Cash flows RMB'000	Inception of leases RMB'000	Interest expenses (note 13) RMB'000	Early termination of lease and rent concession RMB'000	Re- classification RMB'000	31 December 2020 RMB'000
Loan from a subsidiary of a shareholder (note 30)	45,907	(47,019)	–	1,112	–	–	–
Lease liabilities (note 37)	91,741	(28,112)	16,743	2,552	(71,966)	–	10,958
Bank borrowing (note 38)	875,829	(79,442)	–	31,072	–	–	827,459
Other loans (note 39)	339,446	(81,704)	–	15,804	–	–	273,546
Loan from a shareholder (note 30)	650,260	(7,085)	–	6,825	–	(650,000)	–
	<u>2,003,183</u>	<u>(243,362)</u>	<u>16,743</u>	<u>57,365</u>	<u>(71,966)</u>	<u>(650,000)</u>	<u>1,111,963</u>

	1 January 2021 RMB'000	Cash flows RMB'000	Inception of leases RMB'000	Interest expenses (note 13) RMB'000	Disposal of Subsidiaries (note 47(b)) RMB'000	Non Cash transactions RMB'000	31 December 2021 RMB'000
Lease liabilities (note 37)	10,958	(327)	21,297	695	–	(5,872)	26,751
Bank borrowing (note 38)	827,459	2,290,467	–	81,119	(308,398)	–	2,890,647
Other loans (note 39)	273,546	(248,263)	–	6,717	–	(32,000)	–
	<u>1,111,963</u>	<u>2,041,877</u>	<u>21,297</u>	<u>88,531</u>	<u>(308,398)</u>	<u>(37,872)</u>	<u>2,917,398</u>

	1 January 2021	Cash flows	Inception of leases	Interest expenses (note 13)	31 March 2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
		<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Lease liabilities (note 37)	10,958	–	–	128	11,086
Bank borrowing (note 38)	827,459	223,114	–	7,456	1,058,029
Other loans (note 39)	273,546	(18,009)	–	3,120	258,657
	<u>1,111,963</u>	<u>205,105</u>	<u>–</u>	<u>10,704</u>	<u>1,327,772</u>

	1 January 2022	Cash flows	Inception of leases	Interest expenses (note 13)	Effect of lease modification	31 March 2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Lease liabilities (note 37)	26,751	(2,457)	83,093	897	(6,912)	101,372
Bank borrowing (note 38)	2,890,647	2,197,204	–	40,926	–	5,128,777
	<u>2,917,398</u>	<u>2,194,747</u>	<u>83,093</u>	<u>41,823</u>	<u>(6,912)</u>	<u>5,230,149</u>

(e) Total cash outflow for leases

Amounts included in the consolidated statements of cash flows for leases comprise the following:

	Year ended 31 December			Three months ended 31 March	
	2019	2020	2021	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Within operating cash flows	3,033	10,686	22,723	3,739	23,625
Within investing cash flows	156,715	129,259	267,869	2,235	481,361
Within financing cash flows	9,405	25,560	222	–	1,870
	<u>169,153</u>	<u>165,505</u>	<u>290,814</u>	<u>5,974</u>	<u>506,856</u>

These amounts relate to the following:

	Year ended 31 December			Three months ended 31 March	
	2019	2020	2021	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Lease rental paid	12,438	36,246	22,945	3,739	25,495
Payments for right-of-use assets	156,715	129,259	267,869	2,235	481,361
	<u>169,153</u>	<u>165,505</u>	<u>290,814</u>	<u>5,974</u>	<u>506,856</u>

48. CONTINGENT LIABILITIES

- (a) During the Track Record Period, the Group endorsed certain bills receivables for the settlement of trade and other payables. The outstanding endorsed bills receivables are generally with maturities no more than 12 months. In the opinion of the directors of the Company, the Group has transferred the significant risks and rewards relating to these bills receivables, and the Group's obligations to the corresponding counterparties were discharged in accordance with the commercial practice in the PRC and the risk of default in payment of the endorsed bills receivables is low because such endorsed bills receivables are issued and guaranteed by reputable PRC banks. As a result, the relevant assets and liabilities were derecognised on the consolidated financial statements. The maximum exposure to the Group that may result from the default of these endorsed bills receivables as at 31 December 2019, 2020, 2021 and 31 March 2022 are as follows:

	As at 31 December			As at
	2019	2020	2021	31 March
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Endorsed bills for settlement of trade and other payables	93,865	25,131	111,950	413,482

- (b) During July 2021 to July 2022, Contemporary Amperex Technology Co., Limited ("CATL") has brought five intellectual property infringement claims (for Patent I, Patent II, Patent III, Patent IV and Patent VI, as defined in Business section of the Prospectus) against the Company and Luoyang Company and one intellectual property infringement claim (for Patent V) against Luoyang Company (each a "Claim" and together, the "Claims").

CATL petitioned to immediately stop infringing the relevant patents (including, without limitation, to cease manufacturing, selling or offering to sell relevant products that apply the relevant patents), the Group to pay in aggregate amount of RMB615 million (including royalties payable during the temporary protection period for invention patents) to CATL as compensation for such alleged intellectual property infringements and bear the RMB3.2 million expenses (in respect of Patent I, Patent II, Patent III, Patent IV and Patent VI), and Luoyang Company to pay compensation of RMB30 million to CATL and bear the RMB0.5 million expenses (in respect of Patent V).

The total amount claimed by CATL against the Company and Luoyang Company for the alleged infringement of intellectual property rights (including the amount of compensation for Patent I to Patent VI and related expenses incurred by CATL) is approximately RMB648.7 million. However, Luoyang Company ceased to be a subsidiary of the Group after its disposal in November 2021 and has confirmed to the Company that if the Court rules against Luoyang Company or orders Luoyang Company to pay the compensation to CATL, it shall assume all liabilities on its own. As a result, the Group would no longer be liable to the contingent compensation of RMB30 million and expenses of RMB0.5 million in relation to the Claim against Luoyang Company for Patent V. In addition, with respect of Claims in relation to Patent II and Patent VI, the Company and Luoyang Company are joint defendants and Luoyang Company will bear its respective portion of compensation as determined by the Courts. The claimed amount and reasonable costs incurred by CATL for Patent II are RMB365 million and RMB1.2 million, whilst the claimed amount and reasonable costs incurred by CATL for Patent VI are RMB130 million and RMB0.5 million.

As of the date of this Accountant's Report, the Claims in relation to Patent I to Patent V had moved to the substantive hearing stage and the Company is in the progress of contesting the Claims. The Company has received the pleadings from CATL in respect of Patent VI and is in the process of preparing to contest such Claim.

Based on the analysis and views of the Company's special IP counsel (V&T Law Firm) and after assessment, at the date of this Accountant's Report, the Directors are of the view that the Claims are lacking in merit and it is not probable that an outflow of economic benefits will be required to settle the Claims.

Further details of the Claims are set out in the "Business – Regulatory Compliance and Legal Proceedings – Intellectual Property Infringement Claims" of the Prospectus.

Save as disclosed above, the Group had no other material contingent liabilities as at 31 March 2022.

49. CAPITAL COMMITMENTS

Commitments contracted for at the end of the respective reporting periods but not yet incurred are as follows:

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Property, plant and equipment	1,195,253	2,469,278	16,857,495	23,078,215
Intangible assets	1,821	8,492	37,492	12,730
Capital contribution to associates	52,000	—	—	—
	<u>1,249,074</u>	<u>2,477,770</u>	<u>16,894,987</u>	<u>23,090,945</u>

50. OPERATING LEASE ARRANGEMENTS

The Group as lessee

The Group regularly entered into short-term leases for office equipment, staff quarters, office premise, factories, motor vehicles and warehouses. As at 31 December 2019, 31 December 2020, 31 December 2021 and 31 March 2022, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in note 21.

As at 31 December 2019, 31 December 2020, 31 December 2021 and 31 March 2022, the outstanding lease commitments relating to these short-term leases are RMB2,857,000, RMB3,742,000, RMB1,071,000 and RMB8,745,000 respectively.

The Group as lessor

Operating leases relate to property owned by the Group with lease terms of 3 years. The lessee does not have an option to purchase the property at the expiry of the lease period.

Minimum lease payments receivable on leases are as follows:

	As at 31 December			As at 31 March
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	1,593	797	—	4,404
In the second year	797	—	—	—
Total	<u>2,390</u>	<u>797</u>	<u>—</u>	<u>4,404</u>

The following table presents the amounts reported in profit or loss:

	Year ended 31 December			Three months ended 31 March	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Lease income on operating leases	<u>797</u>	<u>1,593</u>	<u>—</u>	<u>—</u>	<u>—</u>

51. RELATED PARTY TRANSACTIONS

- (a) Names and relationships of the related parties that had material transactions and balances with the Group during the Track Record Period:

Name of party	Relationship
常州金沙科技投資有限公司 Changzhou Jinsha Technology Investment Co., Ltd.* (“ Jinsha Investment ”)	Shareholder
常州華科工程建設有限公司 Changzhou Huake Engineering Construction Co., Ltd.* (“ Huake Engineering ”)	Shareholder [#]
中航鋰電(洛陽)有限公司 China Lithium Battery Technology (Luoyang) Co., Ltd.* (“ Luoyang Company ”)	Entity controlled by shareholders of the Company [@]
上海央邁動力技術有限公司 CADMA Drivetrain Tec Co., Ltd.* (“ Shanghai Yangmai ”)	Joint venture
常州金沙資金管理有限公司 Changzhou Jinsha Capital Management Co., Ltd.* (“ Jinsha Capital Management ”)	Entity controlled by shareholders of the Company
江蘇金壇金城科技產業發展有限公司 Jiangsu Province Jintan Jincheng Technology Industry Development Co., Ltd.* (“ Jincheng Technology ”)	Entity controlled by shareholders of the Company
江蘇城東建設工程有限公司 Jiangsu Chengdong Construction Projects Co., Ltd.* (“ Jiangsu Chengdong Construction ”)	Entity controlled by shareholders of the Company
江蘇城東信息科技有 限公司 Jiangsu Chengdong Information Technology Co., Ltd.* (“ Jiangsu Chengdong Information ”)	Entity controlled by shareholders of the Company
常州市金壇區東鋰新能源科技發展有限公司 Changzhou City Jintan District Dongli New Energy Technology Development Co., Ltd.* (“ Dongli New Energy Technology ”)	Entity controlled by shareholders of the Company
江蘇金壇華羅庚科技產業發展有限公司 Jiangsu Jintan Hualuogeng Technology Industry Development Co., Ltd.* (“ Jintan Hualuogeng ”)	Entity controlled by shareholders of the Company
廈門金圓投資集團有限公司 Xiamen Jinyuan Industry Investment Group Company Limited* (“ Jinyuan Investment ”)	Entity controlled by shareholders of the Company
中航鋰電(廈門)科技有 限公司 CALB (Xiamen) Co., Ltd.* (“ Xiamen Company ”)	Subsidiary
中創新航技術研究院(江蘇)有限公司 CALB Technology Co., Ltd.* (“ Jiangsu Research Institute ”)	Subsidiary
中創新航科技(江蘇)有 限公司 CALB (Jiangsu) Co., Ltd.* (“ Jiangsu Company ”)	Subsidiary

* The official names of these entities are in Chinese. The English translation of the names are for identification purpose only.

[#] Huake Engineering was a subsidiary of a shareholder before 15 December 2020.

[@] Luoyang Company ceased to be an associate after the Company disposed of 49% equity interests of Luoyang Company on 9 March 2022 and became an entity controlled by shareholders of the Company.

^o Shanghai Yangmai ceased to be a joint venture of the Group after the Company disposed 51% of equity interest in Luoyang Company, a company directly held the equity interest in Shanghai Yangmai, in November 2021.

- (b) The Group had the following material transactions with its related parties during the Track Record Period:

	Year ended 31 December			Three months ended	
	2019	2020	2021	31 March 2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Revenue from sales of goods to					
– CALB USA	28,858	41,202	51,650	27,208	–
– Luoyang Company	117,392	–	32,640	–	3,229
Entrusted processing services from					
– Luoyang Company	–	–	206,704	–	690,544
Purchase of goods and services from					
– Luoyang Company	–	–	49,454	–	9,575
Purchase of intangible assets from					
– Luoyang Company	–	–	323,921	–	–
Purchase of property, plant and equipment from					
– Luoyang Company	–	–	12,887	–	–
Disposal of property, plant and equipment to					
– Luoyang Company	–	–	88,422	–	–
Proceeds from disposal of 51% equity interest in Luoyang Company to					
– Jincheng Technology	–	–	1,132,200	–	–
Rental fee income from					
– Huake Engineering	–	–	3,793	–	–
Rental fee charged by					
– Huake Engineering	18,088	28,589	137	–	–
– Jiangsu Chengdong Construction	–	979	5,872	1,468	1,468
Interest expenses on loans from related parties					
– Jinsha Capital Management	3,543	1,112	–	–	–
– Jinsha Investment	7,908	6,825	–	–	–
– Jintan Hualuogeng	3,143	–	–	–	–
Construction fees charged by					
– Jiangsu Chengdong Construction	–	–	1,058,911	114,220	160,612
– Jiangsu Chengdong Information	–	–	398	–	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

In December 2021, Luoyang Company had caused its trade receivables due from external customers of approximately RMB188,907,000 being novated to the Group for the same amount of trade payables owed to the Group by Luoyang Company. After the novation, the Group shall collect the trade receivables directly from those original external customers of Luoyang Company. The abovementioned novated trade receivables are included in the amounts disclosed in note 28.

Since March 2021, Jinyuan Investment has been providing financial guarantee to a subsidiary of the Group, Xiamen Company in favour of a group of 6 banks, to guarantee the payment obligation of 80% principal amount (being RMB2,000 million) of a loan in the principal amount of RMB2,500 million for a term of 8 years. The guarantee period of Jinyuan Investment took effective from the date of entering into the guarantee agreement to three years after the expiration of repayment obligation by Xiamen Company under the loan agreement. Such financial guarantee will not be released before the Listing.

Since January 2022, Jinyuan Investment has been providing another financial guarantee to Xiamen Company in favour of a group of 6 banks to guarantee the payment obligation of 80% principal amount (being RMB2,000 million) of a loan in the principal amount of RMB2,500 million for a term of 8 years. The guarantee period of Jinyuan Investment took effective from the date of entering into the guarantee agreement to three years after the expiration of repayment obligation by Xiamen Company under the loan agreement. Such financial guarantee will not be released before the Listing.

More details of related party transactions are set out in the “Financial Information – Related Party Transactions and Balances” of the Prospectus.

(c) Balances with related parties

Details of the Group's balances with related parties at the end of each of the Track Record Periods are disclosed in note 30 to the Historical Financial Information.

(d) The remuneration of directors, supervisors and other members of senior management during the Track Record Period was as follows:

	Salaries, bonus and allowances <i>RMB'000</i>	Equity-settled share-based payments <i>RMB'000</i>	Retirement benefit scheme contributions <i>RMB'000</i>	Total <i>RMB'000</i>
Dr. Pan Fangfang (潘芳芳博士) (note (ii))	1,135	1,725	30	2,890
Mr. Dai Ying (戴穎先生) (note (iii))	656	1,294	19	1,969
Mr. Geng Yan'an (耿言安先生) (note (iv))	951	1,294	46	2,291
Mr. Wang Xiaoqiang (王小強先生) (note (vi))	727	431	7	1,165
Mr. He Fan (何凡先生) (note (vii))	1,045	431	37	1,513
Mr. Xie Qiu (謝秋先生) (note (viii))	1,028	–	30	1,058
Directors and supervisors as disclosed in note 17(a)	3,536	3,450	54	7,040
Total for year ended 31 December 2019	9,078	8,625	223	17,926

	Salaries, bonus and allowances <i>RMB'000</i>	Equity-settled share-based payments <i>RMB'000</i>	Retirement benefit scheme contributions <i>RMB'000</i>	Total <i>RMB'000</i>
Dr. Pan Fangfang (潘芳芳博士) (note (ii))	3,045	4,088	8	7,141
Mr. Geng Yan'an (耿言安先生) (note (iv))	2,672	3,066	45	5,783
Ms. Gao Yan (高豔女士)(note (v))	1,655	–	3	1,658
Mr. Wang Xiaoqiang (王小強先生) (note (vi))	1,547	1,022	6	2,575
Mr. He Fan (何凡先生) (note (vii))	1,260	1,022	9	2,291
Mr. Xie Qiu (謝秋先生) (note (viii))	1,152	–	8	1,160
Directors and supervisors as disclosed in note 17(a)	8,260	11,242	22	19,524
Total for year ended 31 December 2020	19,591	20,440	101	40,132
	Salaries, bonus and allowances <i>RMB'000</i>	Equity-settled share-based payments <i>RMB'000</i>	Retirement benefit scheme contributions <i>RMB'000</i>	Total <i>RMB'000</i>
Dr. Pan Fangfang (潘芳芳博士) (note (ii))	3,060	5,857	32	8,949
Mr. Geng Yan'an (耿言安先生) (note (iv))	2,692	4,393	57	7,142
Ms. Gao Yan (高豔女士) (note (v))	1,910	–	39	1,949
Mr. Wang Xiaoqiang (王小強先生) (note (vi))	1,554	1,464	7	3,025
Mr. He Fan (何凡先生) (note (vii))	1,266	1,464	36	2,766
Mr. Xie Qiu (謝秋先生) (note (viii))	1,178	–	32	1,210
Directors and supervisors as disclosed in note 17(a)	8,173	16,107	97	24,377
Total for year ended 31 December 2021	19,833	29,285	300	49,418

	Salaries, bonus and allowances <i>RMB'000</i> (unaudited)	Equity-settled share-based payments <i>RMB'000</i> (unaudited)	Retirement benefit scheme contributions <i>RMB'000</i> (unaudited)	Total <i>RMB'000</i> (unaudited)
Dr. Pan Fangfang (潘芳芳博士) (note (ii))	292	1,444	8	1,744
Mr. Geng Yan'an (耿言安先生) (note (iv))	235	1,083	13	1,331
Ms. Gao Yan (高豔女士) (note (v))	197	–	9	206
Mr. Wang Xiaoqiang (王小強先生) (note (vi))	226	361	2	589
Mr. He Fan (何凡先生) (note (vii))	229	361	9	599
Mr. Xie Qiu (謝秋先生) (note (viii))	223	–	8	231
Directors and supervisors as disclosed in note 17(a)	925	3,971	22	4,918
Total for the three months ended 31 March 2021	2,327	7,220	71	9,618

	Salaries, bonus and allowances <i>RMB'000</i>	Equity-settled share-based payments <i>RMB'000</i>	Retirement benefit scheme contributions <i>RMB'000</i>	Total <i>RMB'000</i>
Dr. Pan Fangfang (潘芳芳博士) (note (ii))	296	2,004	8	2,308
Mr. Geng Yan'an (耿言安先生) (note (iv))	236	1,503	15	1,754
Ms. Gao Yan (高豔女士) (note (v))	232	–	11	243
Mr. Wang Xiaoqiang (王小強先生) (note (vi))	227	501	2	730
Mr. He Fan (何凡先生) (note (vii))	228	501	9	738
Mr. Xie Qiu (謝秋先生) (note (viii))	224	–	8	232
Directors and supervisors as disclosed in note 17(a)	928	5,510	28	6,466
Total for the three months ended 31 March 2022	2,371	10,019	81	12,471

Notes:

- (i) The amounts disclosed above represent remuneration paid or payable to the directors and other members of senior management of the Company as key management personnel of the Group's entities.
- (ii) Dr. Pan Fangfang was appointed as vice president on 5 September 2019.
- (iii) Mr. Dai Ying was appointed as vice president on 3 April 2019 and appointed as a director on 2 December 2020. Mr. Dai was designated as an executive director on 10 December 2021.
- (iv) Mr. Geng Yan'an was appointed as vice president on 6 August 2018.
- (v) Ms. Gao Yan was appointed as vice president on 25 April 2020.
- (vi) Mr. Wang Xiaoqiang was appointed as vice president on 15 November 2021.
- (vii) Mr. He Fan was appointed as vice president on 15 November 2021.
- (viii) Mr. Xie Qiu was appointed as vice president on 15 November 2021.

52. EVENTS AFTER THE REPORTING PERIOD

- (a) On 2 April 2022, CALB (Sichuan) Co., Ltd.* (中創新航科技(四川)有限公司) ("**Sichuan Company**") was established as the project company. The non-controlling shareholder has the right to request the Company to acquire partial or entire equity interest of Sichuan Company held by non-controlling shareholder within 6 years from the date of establishment of Sichuan Company ("**Sichuan Company Put Option**"). Such Sichuan Company Put Option will be terminated automatically and of no effect on the date when the Company submits the listing application for the listing of the Company's shares on any domestic or foreign stock exchange. If subsequently the Company withdraws the listing application or the Company's listing application is not approved, such Sichuan Company Put Option will be automatically restored.
- (b) On 28 April 2022, the Company as one of the limited partners entered into a partnership agreement in relation to the establishment of a limited partnership, Kaibo (Chengdu) New Energy Industry Investment Fund Partnership (Limited Partnership)* (凱博(成都)新能源產業投資基金合夥企業(有限合夥)) (the "**Partnership Fund**") for a term of six years. The Partnership Fund will be principally engaged in investment of new energy industry chain. The Company has related investment commitment of RMB299 million.
- (c) On 24 June 2022, the Company and three investors established a limited company, Sichuan Ganmei Xinhang New Energy Resources Co., Ltd.* (四川甘眉新航新能源資源有限責任公司) ("**Ganmei Xinhang**"). The Company shall have 40% equity interest in Ganmei Xinhang and has related investment commitment of RMB320 million.
- (d) On 28 June 2022, the Company entered into a cornerstone investment agreement with Tianqi Lithium Corporation (天齊鋰業股份有限公司) ("**Tianqi Lithium**"), a joint stock company established in the PRC and whose shares are listed on the Shenzhen Stock Exchange and the Main Board of the Stock Exchange, pursuant to which the Company agreed to subscribe for 4,739,000 H shares in Tianqi Lithium (representing approximately 0.3% of Tianqi Lithium's total issued share capital upon the completion of its global offering) at the investment amount of approximately US\$49.5 million.

Save as disclosed above, the Group had no other material event after the reporting period as at 31 March 2022.

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

53. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Company and its subsidiaries in respect of any period subsequent to 31 March 2022 and up to the date of this report.

C. ADDITIONAL FINANCIAL INFORMATION OF LUOYANG COMPANY

The following is the financial information of China Lithium Battery Technology (Luoyang) Co., Ltd.* (中航鋰電(洛陽)有限公司) (“Luoyang Company”) for the period from 1 January 2019 to 30 June 2019 before it became a non-wholly owned subsidiary of the Company upon completion of Luoyang Acquisition as set out in Note 2 of Section B of the Accountant’s Report.

STATEMENT OF PROFIT OR LOSS OF LUOYANG COMPANY

		For the period from 1 January 2019 to 30 June 2019 RMB’000
	<i>Note</i>	
Revenue	3	311,019
Cost of sales		<u>(231,765)</u>
Gross profit		79,254
Other income	4	968
Other gains and (losses), net	5	(23,013)
Government grants and subsidies		21,043
Selling expenses		(17,977)
Administrative expenses		(44,700)
Research and development expenses		(33,519)
Reversal of impairment loss on trade and bills receivables		14,442
Reversal of impairment loss on prepayments, deposits and other receivables		<u>126</u>
Loss from operations		(3,376)
Finance costs	7	(30,472)
Share of losses of associates		<u>(644)</u>
Loss before tax		(34,492)
Income tax credit	8	<u>7,250</u>
Loss for the period	9	<u><u>(27,242)</u></u>

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF LUOYANG COMPANY

		For the period from 1 January 2019 to 30 June 2019 RMB'000
	<i>Note</i>	
Loss for the period		(27,242)
Other comprehensive expense:		
Share of comprehensive expense of associates		(164)
Other comprehensive expense for the period, net of tax		(164)
Total comprehensive expense for the period		(27,406)

STATEMENT OF FINANCIAL POSITION OF LUOYANG COMPANY

		As at 30 June 2019 RMB'000
	<i>Note</i>	
Non-current assets		
Property, plant and equipment	12	1,747,681
Right-of-use assets	13	109,345
Intangible assets	14	23,747
Investments in associates	15	51,996
Investment in a joint venture	16	–
Investments in subsidiaries	17	1,134,282
Deposits paid for acquisition of property, plant and equipment	20	79,480
Deferred tax assets	33	52,462
		3,198,993
Current assets		
Inventories	18	592,915
Trade and bills receivables	19	825,128
Prepayments, deposits and other receivables	20	47,612
Amounts due from related companies	21	6,205
Amounts due from subsidiaries	21	32,781
Amount due from an associate	21	30,573
Amount due from a joint venture	21	148
Amount due from the ultimate holding company	21	1,570

	<i>Note</i>	As at 30 June 2019 RMB'000
Current tax assets		302
Pledged bank deposits	22 (a)	159,968
Bank and cash balances	22 (b)	147,401
		<u>1,844,603</u>
Current liabilities		
Trade and bills payables	23	570,152
Accruals and other payables	24	174,211
Contract liabilities	25	40,408
Bank borrowings	26	263,556
Loans from related companies	27	301,970
Loan from a subsidiary	28	103,389
Loan from the ultimate holding company	29	8,040
Amounts due to related companies	30	12,127
Amounts due to subsidiaries	30	1,278,509
Provisions	31	15,326
		<u>2,767,688</u>
Net current liabilities		<u>(923,085)</u>
Total assets less current liabilities		<u>2,275,908</u>
Non-current liabilities		
Bank borrowings	26	370,378
Loan from the ultimate holding company	29	134,500
Deferred income	32	168,552
Deferred tax liability	33	31,724
		<u>705,154</u>
NET ASSETS		<u>1,570,754</u>
Capital and reserves		
Equity attributable to owners of the Company		
Paid-up capital	34	990,867
Reserves		579,887
		<u>1,570,754</u>
TOTAL EQUITY		<u>1,570,754</u>

STATEMENT OF CHANGES IN EQUITY OF LUOYANG COMPANY

	Paid-in capital (Note 34) <i>RMB'000</i>	Capital reserve <i>RMB'000</i>	Safety production fund <i>RMB'000</i>	Statutory reserve <i>RMB'000</i>	Other reserve <i>RMB'000</i>	Accumulated losses <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2019	<u>990,867</u>	<u>1,013,313</u>	<u>1,157</u>	<u>68,885</u>	<u>468</u>	<u>(476,530)</u>	<u>1,598,160</u>
Total comprehensive income for the year	–	–	–	–	(164)	(27,242)	(27,406)
Safety production fund	<u>–</u>	<u>–</u>	<u>465</u>	<u>–</u>	<u>–</u>	<u>(465)</u>	<u>–</u>
Changes in equity for the period	<u>–</u>	<u>–</u>	<u>465</u>	<u>–</u>	<u>(164)</u>	<u>(27,707)</u>	<u>(27,406)</u>
At 30 June 2019	<u>990,867</u>	<u>1,013,313</u>	<u>1,622</u>	<u>68,885</u>	<u>304</u>	<u>(504,237)</u>	<u>1,570,754</u>

STATEMENT OF CASH FLOWS OF LUOYANG COMPANY

For the period from
1 January 2019 to
30 June 2019
RMB'000

Note

CASH FLOWS FROM OPERATING ACTIVITIES

Loss before tax (34,492)

Adjustments for:

Depreciation of property, plant and equipment	12	68,835
Depreciation of right-of-use assets	13	1,381
Amortisation of intangible assets	14	1,576
Share of losses of associates		644
Government grants and subsidies		(15,021)
Allowance for inventories	5	22,266
Reversal of impairment loss on trade and bills receivables		(14,442)
Reversal of impairment loss on prepayments, deposits and other receivables		(126)
Net gain on disposals of property, plant and equipment	5	(59)
Interest income	4	(794)
Finance costs	7	30,472

Operating profit before working capital changes	60,240
Increase in inventories	(298,595)
Increase in trade and bills receivables	(13,535)
Increase in prepayments, deposits and other receivables	(14,453)
Increase in amounts due from subsidiaries	(32,781)
Decrease in amount due from an associate	23,862
Increase in trade and bills payables	421,418
Decrease in accruals and other payables	(381,240)
Increase in provisions	4,233
Increase in contract liabilities	40,408

Net cash used in operating activities (190,443)

		For the period from 1 January 2019 to 30 June 2019 RMB'000
	<i>Note</i>	
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received		794
Deposits paid for acquisition of property, plant and equipment		(18,555)
Purchase of property, plant and equipment		(11,166)
Proceeds from disposals of property, plant and equipment		78
Government grants received related to assets	32	1,608
Decrease in amounts due from related companies		244
Increase in amount due from the ultimate holding company		(1,184)
Decrease in pledged deposits		(81,191)
		<hr/>
Net cash used in investing activities		(109,372)
		<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of bank borrowings		(341,980)
Repayment of loans from related companies		(48,093)
Repayment of loan from a subsidiary		(146,619)
Repayment of loan from the ultimate holding company		(4,000)
Increase in amounts due to subsidiaries		525,094
Increase in amounts due to related companies		27
Interest paid		(30,472)
		<hr/>
Net cash used in financing activities		(46,043)
		<hr/>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(345,858)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		493,423
		<hr/>
Effect of foreign exchange rate changes		(164)
		<hr/>
CASH AND CASH EQUIVALENTS AT END OF PERIOD		147,401
		<hr/> <hr/>
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balance		147,401
		<hr/> <hr/>

NOTES TO THE HISTORICAL FINANCIAL INFORMATION OF LUOYANG COMPANY

1. GENERAL INFORMATION

Luoyang Company is a limited liability company and was incorporated in the PRC on 14 September 2009. The registered office and the address of its principal place of business is No.66 Binhe North Road, High-tech Development Zone, Luoyang City, PRC.

Luoyang Company has been engaging in the design, research and development, production and sales of EV battery for civil and military industrial use and ESS products.

On 1 January 2019, Luoyang Company was 63.98% owned by Chengfei Integration. On April 22, 2019, Chengfei Integration agreed to transfer its 45% equity interests in Luoyang Company to the Company. On the same day, Chengfei Integration and Jinsha Investment agreed to transfer 18.98% and 9.38% of their respective equity interests in Luoyang Company to the Company and therefore Luoyang Company became 73.36% owned by the Company as at 30 June 2019.

2. BASIS OF PREPARATION

The financial information of Luoyang Company for the period from 1 January 2019 to 30 June 2019 has been prepared in accordance with IFRSs issued by IASB under historical cost convention and in accordance with the accounting policies of the Group presented on the basis set out in Note 4 of Section B except for those accounting policies related to consolidation.

3. REVENUE

	For the period from 1 January 2019 to 30 June 2019 RMB'000
Revenue from contracts with customers within the scope of IFRS 15	
Sales of EV battery	213,731
Sales of ESS products	80,938
Others	16,350
	<u>311,019</u>

4. OTHER INCOME

	For the period from 1 January 2019 to 30 June 2019 RMB'000
Interest income on bank deposits	794
Penalty income from suppliers	168
Others	6
	<u>968</u>

5. OTHER GAINS AND (LOSSES), NET

	For the period from 1 January 2019 to 30 June 2019 RMB'000
Allowance for inventories	(22,266)
Net foreign exchange losses	(806)
Net gain on disposals of property, plant and equipment	59
	<u>(23,013)</u>

6. SEGMENT INFORMATION

Luoyang Company has mainly carried on a single business in a single geographical location, which is mainly the design, research and development, production and sales of EV battery for civil and military industrial use and ESS products in the PRC, and all the assets are substantially located in the PRC. Accordingly, there is only one single business reportable segment which is regularly reviewed by the chief operating decision maker.

Revenue from major customers:

**For the period from
1 January 2019 to
30 June 2019
RMB'000**

Customer C	87,500
CALB USA	49,647

7. FINANCE COSTS

**For the period from
1 January 2019 to
30 June 2019
RMB'000**

Interest on bank borrowings	17,995
Interest on loans from fellow subsidiaries	8,451
Interest on loan from a subsidiary	3,238
Interest on loan from the ultimate holding company	788

Total borrowing costs	30,472
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8. INCOME TAX CREDIT

Income tax credit has been recognised in profit or loss as follows:

**For the period from
1 January 2019 to
30 June 2019
RMB'000**

Current tax – the PRC	–
Provision for the period	8,141
Deferred tax (<i>note 33</i>)	8,141
	8,141
Withholding tax	(891)
	7,250

Luoyang Company has been approved as high and new technology enterprises and were entitled to a reduced EIT rate of 15%. The high and new technology enterprises certificates need to be renewed every three years so as to enable Luoyang Company to enjoy the reduced EIT rate of 15%.

The reconciliation between the income tax credit and the product of loss before tax multiplied by the PRC EIT rate is as follows:

	For the period from 1 January 2019 to 30 June 2019 RMB'000
Loss before tax	(34,492)
Tax at the PRC Enterprise Income Tax rate of 15%	(5,174)
Tax effect of expenses that are not deductible	968
Tax effect of super deduction of qualified research and development expenditure	(3,693)
Tax effect of temporary differences not recognised	262
Tax effect of utilisation of tax losses not previously recognised	(504)
Tax effect of withholding tax	891
Income tax credit	(7,250)

9. LOSS FOR THE PERIOD

Luoyang Company's loss for the period from 1 January 2019 to 30 June 2019 is stated after charging the following:

	For the period from 1 January 2019 to 30 June 2019 RMB'000
Amortisation of intangible assets (<i>note 14</i>)	1,576
Cost of inventories sold	231,765
Depreciation of property, plant and equipment (<i>note 12</i>)	68,835
Depreciation of right-of-use assets (<i>note 13</i>)	1,381
Expenses relating to short-term lease (included in cost of sales, selling expenses and administrative expenses)	413
Expenses relating to lease of low value assets (included in cost of sales, selling expenses and administrative expenses)	185

10. EMPLOYEE BENEFITS EXPENSES

	For the period from 1 January 2019 to 30 June 2019 RMB'000
Employee benefits expense (including Directors' emoluments):	
Salaries, bonuses and allowances	64,419
Retirement benefit scheme contributions	7,010
	71,429

11. DIVIDENDS

No dividend has been paid or proposed during the period from 1 January 2019 to 30 June 2019.

12. PROPERTY, PLANT AND EQUIPMENT

	Building RMB'000	Machinery RMB'000	Computer equipment RMB'000	Furniture and office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvement RMB'000	Construction in progress RMB'000	Total RMB'000
At 31 December 2018 and 1 January 2019								
Cost	1,005,075	818,583	27,139	13,251	4,653	76	390,376	2,259,153
Accumulated depreciation and impairment	(132,207)	(283,395)	(22,325)	(11,730)	(4,059)	(68)	–	(453,784)
Net carrying amount	872,868	535,188	4,814	1,521	594	8	390,376	1,805,369
At 1 January 2019, net of accumulated depreciation and impairment								
	872,868	535,188	4,814	1,521	594	8	390,376	1,805,369
Additions	–	499	–	79	–	–	10,588	11,166
Depreciation provided during the period	(18,040)	(49,202)	(1,041)	(423)	(129)	–	–	(68,835)
Disposals	–	–	–	(2)	(17)	–	–	(19)
Transfer	–	387,623	–	–	–	–	(387,623)	–
At 30 June 2019, net of accumulated depreciation and impairment								
	854,828	874,108	3,773	1,175	448	8	13,341	1,747,681
At 30 June 2019								
Cost	1,005,075	1,206,705	27,139	13,329	4,317	76	13,341	2,269,982
Accumulated depreciation and impairment	(150,247)	(332,597)	(23,366)	(12,154)	(3,869)	(68)	–	(522,301)
Net carrying amount	854,828	874,108	3,773	1,175	448	8	13,341	1,747,681

As at 30 June 2019, the carrying amount of property, plant and equipment pledged as security for Luoyang Company's loan from a fellow subsidiary amounted to RMB202,934,000 (note 27).

As at 30 June 2019, Luoyang Company was still in the process of obtaining property ownership certificates for certain buildings with a net carrying amount of RMB290,215,000.

13. RIGHT-OF-USE ASSETS

	Leasehold lands RMB'000
At 1 January 2019 upon adoption of IFRS 16	110,726
Depreciation	(1,381)
At 30 June 2019	109,345

14. INTANGIBLE ASSETS

	Computer Software <i>RMB'000</i>	Trademarks <i>RMB'000</i>	Patents <i>RMB'000</i>	Development costs <i>RMB'000</i>	Total <i>RMB'000</i>
Cost					
At 1 January 2019	10,662	39	20,130	5,563	36,394
Transfer	–	–	1,309	(1,309)	–
At 30 June 2019	10,662	39	21,439	4,254	36,394
Accumulated amortisation and impairment					
At 1 January 2019	4,623	18	6,430	–	11,071
Charge for the period	533	2	1,041	–	1,576
At 30 June 2019	5,156	20	7,471	–	12,647
Carrying amount					
At 30 June 2019	5,506	19	13,968	4,254	23,747

Computer software has finite useful life. The computer software is stated at cost less accumulated amortisation and any impairment losses, and is amortised on the straight-line basis over its estimated useful life of 10 years.

Trademarks have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated on a straight-line basis over the valid period of 10 years upon initial registration as allowed by the Trademark Law of the PRC or relevant jurisdiction.

Patents have finite useful lives and is amortised on a straight-line basis over the commercial lives of the underlying products not more than 10 years.

The average remaining amortisation period (in years) for Luoyang Company's intangible assets at end of reporting periods are:

	As at 30 June 2019 (years)
Computer software	6.1
Trademarks	4.9
Patents	6.8

15. INVESTMENTS IN ASSOCIATES

	As at 30 June 2019 <i>RMB'000</i>
Unlisted investments:	
Share of net assets	51,996

As at 30 June 2019, details of Luoyang Company's associates using equity method are as follows:

Name	Place of incorporation and operations	Particulars of paid up/ registered capital	Percentage of equity interest attributable to Luoyang Company	Principal activities
Cangzhou Mingzhu	The PRC	RMB118,400,000	As at 30 June 2019: 10%	Manufacturing and sales of battery diaphragm
CALB USA	The USA	US\$100,000	As at 30 June 2019: 40%	Sales of lithium-ion battery
Shanghai Fanneng	The PRC	RMB4,846,000	As at 30 June 2019: 25%	Development and consultancy services of lithium-ion battery

Although Luoyang Company holds less than 20% of the equity interest of Cangzhou Mingzhu, Luoyang Company exercises significant influence over Cangzhou Mingzhu because Luoyang Company is entitled to appoint one director out of the five directors of Cangzhou Mingzhu.

The following table shows information on the associates that are material to Luoyang Company. These associates are accounted for in the Historical Financial Information using the equity method. The summarised financial information present is based on the audited financial statements or management accounts of the associates prepared based on the local accounting standards and further adjusted to comply with IFRSs by the Luoyang Company's directors.

	As at 30 June 2019	
	Cangzhou Mingzhu RMB'000	CALB USA RMB'000
Non-current assets	470,476	522
Current assets	99,630	51,600
Non-current liabilities	(59,220)	–
Current liabilities	(22,492)	(31,876)
Net assets	<u>488,394</u>	<u>20,246</u>
Proportion of the ownership	10%	40%
Group's share of net assets	48,839	8,098
Unrealised profit	–	(4,941)
Group's share of carrying amount of interests	<u>48,839</u>	<u>3,157</u>
Revenue	9,755	66,748
(Loss)/profit from operations	(42,457)	9,005
Other comprehensive expense	–	(410)
Total comprehensive (expense)/income	(42,457)	8,595
Dividend income from associates	<u>–</u>	<u>1,431</u>

The following table shows, in aggregate, Luoyang Company's share of the amount of the immaterial associate that is accounted for using the equity method.

	As at 30 June 2019 RMB'000
Carrying amount of interests	—
	—
	—
	For the period from 1 January 2019 to 30 June 2019 RMB'000
Loss for the period, net	(61)
Other comprehensive income	—
	—
Total comprehensive expense	(61)

Luoyang Company has not recognised loss for the period ended 30 June 2019, amounting to approximately RMB61,000. The accumulated losses not recognise were approximately RMB99,000 as at 30 June 2019.

16. INVESTMENT IN A JOINT VENTURE

	As at 30 June 2019 RMB'000
Unlisted investment in the PRC:	
Share of net assets	—
	—

As at 30 June 2019, details of Luoyang Company's joint venture using equity method are as follows:

Name	Place and date of establishments	Registered capital	Percentage of equity interest attributable to Luoyang Company	Principal activities
Shanghai Yangmai	The PRC 6 August 2015	RMB10,000,000	51%	Development and wholesale of battery and car accessories

The following table shows, in aggregate, Luoyang Company's share of the amount of the joint venture that is accounted for using the equity method in the Historical Financial Information.

	As at 30 June 2019 RMB'000
Carrying amount of interests	—
	—

For the
period from
1 January 2019
to 30 June 2019
RMB'000

Loss for the period, net	(1,068)
Other comprehensive expense	—
Total comprehensive expense	(1,068)

Luoyang Company has not recognised loss for the period ended 30 June 2019, amounting to approximately RMB1,068,000. The accumulated losses not recognised were approximately RMB1,068,000 as at 30 June 2019.

17. INVESTMENTS IN SUBSIDIARIES

As at 30 June 2019, Luoyang Company had direct interests in its subsidiaries, the particulars of which are set out below:

Name	Place and date of establishments	Registered capital	Percentage of equity interest attributable to Luoyang Company	Principal activities
CALB Co., Ltd.	The PRC 8 December 2015	RMB4,000,000,000	30%	Design, research and development, production and sales of EV batteries and ESS products
CALB (Beijing)	The PRC 4 September 2013	RMB40,000,000	100%	Sales of EV battery

Luoyang Company has 30% equity of CALB Co., Ltd. Pursuant to provisions of the then effective articles of association of CALB Co., Ltd. dated 8 December 2015, Luoyang Company shall be entitled to exercise 51% of the voting rights in CALB Co., Ltd. As such, Luoyang Company (which was ultimately controlled by AVIC) was the controlling shareholder of CALB Co., Ltd.

18. INVENTORIES

	As at 30 June 2019 RMB'000
Raw materials	50,877
Work in progress	300,086
Finished goods	241,952
	<u>592,915</u>

19. TRADE AND BILLS RECEIVABLES

	As at 30 June 2019 RMB'000
Trade receivables	758,397
Allowance for doubtful debts	(58,546)
	<u>699,851</u>
Bills receivables	125,277
	<u>825,128</u>

The credit terms are generally within 180 days. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. Luoyang Company seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

The carrying amounts of Luoyang Company's trade receivables are denominated in RMB.

The aging analysis of trade receivables based on the invoice date, and net of allowance, is as follows:

	As at 30 June 2019 RMB'000
0 to 180 days	551,446
181 to 365 days	101,241
1 – 2 years	35,172
Over 2 years	11,992
	<hr/>
	699,851
	<hr/> <hr/>

Reconciliation of allowance for trade and bills receivables:

	<i>RMB'000</i>
At 1 January 2019	72,988
Reversal of impairment loss for the period	(14,442)
	<hr/>
At 30 June 2019	58,546
	<hr/> <hr/>

As at 30 June 2019, the fair values of the trade and bills receivables of Luoyang Company approximated to their carrying amounts.

Bills receivables represent short-term bank acceptance bills receivable that entitle Luoyang Company to receive the full face amount from the banks at maturity, which generally ranges from 3 to 12 months from the date of issuance. Historically, Luoyang had experienced no credit losses on bills receivable. Luoyang Company from time to time endorses bills receivable to suppliers in order to settle trade payables.

As at 30 June 2019, Luoyang Company endorsed certain bank acceptance bills to suppliers for settling trade payables of the same amount on a full recourse basis. Luoyang Company has derecognised these bills receivable and payables to suppliers in their entirety. These derecognised bank acceptance bills had a maturity date of less than six months from the end of the reporting period. In the opinion of management, Luoyang Company has transferred substantially all the risks and rewards of ownership of these bills and has discharged its obligation of the payables to its suppliers, and Luoyang Company has limited exposure in respect of the settlement obligation of these bills receivable under the relevant PRC rules and regulations, should the issuing banks fail to settle the bills on maturity date. Luoyang Company considered the issuing banks of these bills are of good credit quality and non-settlement of these bills by the issuing banks on maturity is not probable. As at 30 June 2019, Luoyang Company's maximum exposure to loss and undiscounted cash outflow, which is same as the amount payable by Luoyang Company to suppliers in respect of the endorsed bills, should the issuing banks fail to settle the bills on maturity date, amounted to RMB31,543,000.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2019 RMB'000
Deposits paid for acquisition of property, plant and equipment	79,480
Prepayments	21,307
Other tax receivables	24,198
Other deposits	166
Other receivables	1,941
	<u>127,092</u>
Analysed as:	
Non-current assets	79,480
Current assets	47,612
	<u>127,092</u>
Reconciliation of allowances for prepayments, deposits and other receivables:	
	<i>RMB'000</i>
At 1 January 2019	2,698
Reversal of impairment loss for the period	(126)
	<u>2,572</u>
At 30 June 2019	<u>2,572</u>

21. AMOUNTS DUE FROM RELATED COMPANIES, SUBSIDIARIES, AN ASSOCIATE, A JOINT VENTURE AND THE ULTIMATE HOLDING COMPANY

The amounts due from related companies, subsidiaries, an associate, a joint venture and the ultimate holding company are unsecured, interest free and repayable on demand. The amounts of RMB58,026,000 are trade in nature and the remaining amounts of RMB13,251,000 are non-trade in nature and estimated to be settled before the Listing.

22. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES**(a) Pledged bank deposits**

Luoyang Company's pledged bank deposits represented deposits pledged to banks to secure banking facilities granted to Luoyang Company.

(b) Bank and cash balances

Bank and cash balances of Luoyang Company deposited with banks in the PRC are denominated in the following currencies:

	As at 30 June 2019 RMB'000
RMB	146,907
US\$	440
EUR	54
	<u>147,401</u>

Conversion of the above balances from RMB into foreign currencies and from foreign currencies into RMB is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

23. TRADE AND BILLS PAYABLES

	As at 30 June 2019 RMB'000
Trade payables	332,622
Bills payables	237,530
	<hr/> 570,152 <hr/>

As at 30 June 2019, bills payables were secured by bills receivables of RMB73,686,000.

The aging analysis of trade payables, based on the date of receipt of goods is as follows:

	As at 30 June 2019 RMB'000
0 to 180 days	290,628
181 – 365 days	30,789
1 – 2 years	9,999
Over 2 years	1,206
	<hr/> 332,622 <hr/>

The carrying amounts of Luoyang Company's trade payables are denominated in RMB.

24. ACCRUALS AND OTHER PAYABLES

	As at 30 June 2019 RMB'000
Deposits received	3,488
Accrued salaries	45,450
Accrued expenses	5,606
Payable for property, plant and equipment	107,258
Other tax payable	3,401
Other payables	9,008
	<hr/> 174,211 <hr/>

The carrying amounts of Luoyang Company's accruals and other payables are denominated in the following currencies:

	As at 30 June 2019 RMB'000
RMB	174,135
US\$	76
	<hr/> 174,211 <hr/>

25. CONTRACT LIABILITIES

As at
30 June 2019
RMB'000

Billings in advance of performance obligation - arising from sales of lithium-ion battery	40,408
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Contract liabilities mainly arise from non-refundable advance payments in relation to battery sales made by paying merchants while the underlying goods are yet to be provided.

Movements in contract liabilities:

RMB'000

As at 1 January 2019	–
Increase in contract liabilities as a result of billing in advance of battery sales	40,408
As at 30 June 2019	40,408

As at 30 June 2019, the amount of billings in advance of performance received is expected to be recognised as income within 1 year.

26. BANK BORROWINGS

As at
30 June 2019
RMB'000

Bank borrowing	633,934
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The bank borrowings are repayable as follows:

As at
30 June 2019
RMB'000

Within one year	263,556
More than one year, but not exceeding two years	242,720
More than two years, but not more than five years	127,658
	633,934
Less: Amount due for settlement within 12 months (shown under current liabilities)	(263,556)
Amount due for settlement after 12 months	370,378

The carrying amounts of the bank borrowings are denominated in the RMB. The average interest rates of the bank borrowings at 30 June 2019 were 4.99%. The bank borrowings are arranged at floating rates, thus exposing Luoyang Company to cash flow interest rate risk.

Certain of the Luoyang Company's banking facilities are subject to the fulfilment of covenants relating to certain of the Luoyang Company's financial position, performance and results. If the Luoyang Company was to breach the covenants, the drawn down facilities would become payable on demand. Luoyang Company regularly monitors its compliance with these covenants. As at 30 June 2019, none of the covenants relating to banking facilities had been breached.

27. LOANS FROM RELATED COMPANIES

	<i>Note</i>	As at 30 June 2019 RMB'000
China Aviation Industry Corporation Finance Co. Ltd.* (中航工業集團財務有限責任公司)	(a)	202,934
AVIC Electromechanical System Co., Ltd.* (中航機載系統有限公司)	(b)	99,036
		<u>301,970</u>

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

The purposes of the loans were for the construction of lithium-ion battery manufacturing plant and supplement of working capital.

- (a) The loan was denominated in RMB, secured by a charge over Luoyang Company's machinery (note 12), non-trade in nature, interest bearing at 5.2% per annum and repayable on 26 October 2019.
- (b) The loan was denominated in RMB, unsecured, non-trade in nature, interest bearing at 4.35% per annum and repayable on 27 August 2019.

28. LOAN FROM A SUBSIDIARY

The purpose of the loan was solely for the construction of lithium-ion battery manufacturing plant.

The loan was denominated in RMB, unsecured, non-trade in nature, interest bearing at 4.35% per annum and repayable before 1 July 2019.

29. LOAN FROM THE ULTIMATE HOLDING COMPANY

The purpose of the loan was solely for the construction of lithium-ion battery manufacturing plant.

The loan was denominated in RMB, unsecured, non-trade in nature, interest bearing at 1.08% per annum and repayable before 20 November 2020.

30. AMOUNTS DUE TO RELATED COMPANIES AND SUBSIDIARIES

The amounts due to a fellow subsidiary and subsidiaries are unsecured, interest fee and repayable on demand. Amounts of RMB4,270,000 are trade in nature and remaining amount of RMB1,286,366 are non-trade in nature and estimated to be settled before the Listing.

31. PROVISIONS

	Warranties RMB'000
At 1 January 2019	11,093
Addition of provisions	6,928
Provisions used	<u>(2,695)</u>
At 30 June 2019	<u>15,326</u>

A provision for warranties is recognised when the underlying products are sold. Under the terms of Luoyang Company's sales agreements, Luoyang Company will rectify any product defects arising within predominantly 3 to 8 years from the date of sale. Provision is therefore made for the best estimate of the expected settlement under these agreements in respect of products sold which are still within the warranty period. The amount of provision takes into account Luoyang Company's recent claim experience, historical warranty data and a weighting of all possible outcomes against their associated probabilities.

32. DEFERRED INCOME

	As at 30 June 2019 RMB'000
Government subsidies	168,552
Analysed as:	
Non-current liabilities	168,552

The movements in deferred income related to government grants and subsidies are as follows:

	RMB'000
As at 1 January 2019	181,965
Received during the period	1,608
Released to profit or loss	(15,021)
As at 30 June 2019	168,552

Various government grants have been received for basic research and development activities. Government grants received for which related expenditure has not yet been undertaken are included in deferred income in the statement of financial position. A certain grant received relates to an asset is also credited to deferred income and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

33. DEFERRED TAX

Deferred tax liability

	Revaluation on intangible assets RMB'000
At 1 January 2019	42,298
Credit to profit or loss for the period (note 8)	(10,574)
At 30 June 2019	31,724

Deferred tax assets

	Allowance on inventory RMB'000	Allowance on trade receivables RMB'000	Deferred revenue RMB'000	Others RMB'000	Total RMB'000
At 1 January 2019	20,531	10,948	16,746	6,670	54,895
Credit/(charge) to profit or loss for the period (note 8)	474	(2,262)	(1,311)	666	(2,433)
At 30 June 2019	21,005	8,686	15,435	7,336	52,462

As at 30 June 2019, no deferred tax asset has been recognised in respect of tax losses amounted to RMB513,772,000 due to the unpredictability of future profit streams.

34. PAID-UP CAPITAL

	Registered capital <i>RMB'000</i>
As at 1 January 2019 and at 30 June 2019	990,867

35. CAPITAL COMMITMENTS

Commitments contracted for as at 30 June 2019 but not yet incurred are as follows:

	<i>RMB'000</i>
Property, plant and equipment	163,264
Intangible assets	499
	<u>163,763</u>

36. OPERATING LEASE ARRANGEMENTS**Luoyang Company as lessee**

Luoyang Company regularly entered into short-term leases for office premises and warehouses. As at 30 June 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in note 9.

As at 30 June 2019, the outstanding lease commitments relating to these short-term leases are RMB235,000.

Luoyang Company as lessor

Operating leases relate to investment property owned by Luoyang Company with lease terms of 3 years. The lessee does not have an option to purchase the property at the expiry of the lease period.

Minimum lease payments receivable on leases are as follows:

	As at 30 June 2019 <i>RMB'000</i>
Within one year	1,593
In the second year	1,593
Total	<u>3,186</u>

The following table presents the amounts reported in profit or loss:

	For the period from 1 January 2019 to 30 June 2019 <i>RMB'000</i>
Lease income on operating leases	797

37. RELATED PARTY TRANSACTIONS

Luoyang Company had the following material transactions with its related parties during the period from 1 January 2019 to 30 June 2019:

	<i>RMB'000</i>
Revenue from an associate	49,647
Purchase from a subsidiary	117,392
	<u>167,039</u>

More details of related party transactions are set out in the “Financial Information – Related Party Transactions and Balances” of the Prospectus.

The information set forth in this Appendix II does not form part of the “Accountant’s Report” received from the Company’s reporting accountant, RSM Hong Kong, Certified Public Accountants, Hong Kong, as set forth in Appendix I to this prospectus, and is included herein for illustrative purpose only.

The unaudited pro forma financial information should be read in conjunction with the section headed “Financial Information” in this prospectus and the “Accountant’s Report” set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

For illustrative purpose only, the unaudited pro forma financial information prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules is set out herein to provide the investors with further information to assess the financial performance of the Group after taking into account the adjusted consolidated net tangible assets of the Group to illustrate the financial position of the Group as of 31 March 2022 as if the Global Offering had been completed on 31 March 2022.

The unaudited pro forma financial information has been prepared, on the basis of the notes set out below, to illustrate how the Global Offering may have affected the net tangible assets attributable to owners of the Company had it occurred as of 31 March 2022. It has been prepared for illustrative purpose only and, because of its nature, may not give a true picture of the financial position of the Group.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as of 31 March 2022 (Note 1) RMB'000	Estimated net proceeds from the Global Offering (Note 2) RMB'000	Cessation of the put option liabilities (Note 3) RMB'000	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company RMB'000	Unaudited pro forma adjusted consolidated net tangible assets per share (Note 4) RMB	(Note 5) HK\$
Based on an Offer Price of HK\$38.00 per H Share	21,631,345	8,709,744	2,512,229	32,853,318	18.5	21.0
Based on an Offer Price of HK\$44.50 per H Share	21,631,345	10,207,982	2,512,229	34,351,556	19.4	22.0
Based on an Offer Price of HK\$51.00 per H Share	21,631,345	11,706,220	2,512,229	35,849,794	20.2	22.9

Notes:

- (1) The audited consolidated net tangible assets attributable to owners of the Company as of 31 March 2022 is arrived at after deducting the intangible assets of RMB1,053,317,000 and the non-controlling interests of RMB2,194,694,000 from the audited consolidated net assets of RMB24,879,356,000 as of 31 March 2022, as shown in the Accountant's Report, the text of which is set out in Appendix I to this prospectus.
- (2) The adjustment to the unaudited pro forma adjusted consolidated net tangible assets reflects the estimated proceeds from the Global Offering to be received by the Company. The estimated proceeds from the Global Offer are based on the Offer Price of HK\$38.00, HK\$44.50 and HK\$51.00 per share after deduction of the estimated underwriting fees and commissions and other related expenses payable by the Company, and takes no account of any shares which may be issued upon the exercise of the Over-allotment Option.
- (3) The put option liabilities of the Group amounting to RMB2,512,229,000 as at 31 March 2022 is extracted from the Accountant's Report as set out in Appendix I to this prospectus. Pursuant to respective investment agreements between the Company and non-controlling shareholders of subsidiaries, upon the listing of the shares of the Company on the Main Board of the Stock Exchange, these put options shall be ceased.
- (4) The unaudited pro forma adjusted consolidated net tangible assets per share are determined after the adjustments as described above and on the basis that 1,772,301,858 Shares were in issue, assuming the Global Offering had been completed on 31 March 2022 but takes no account of any shares which may fall to be issued upon the exercise of the Over-allotment Option.
- (5) For the purpose of this unaudited pro forma adjusted consolidated net tangible assets, the balance stated in Renminbi is converted into Hong Kong dollars at a rate of HK\$1.00 to RMB0.8830. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.
- (6) No adjustment has been made to the unaudited consolidated net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2022.

B. ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the sole purpose of inclusion in this prospectus, from the independent reporting accountant, RSM Hong Kong, Certified Public Accountants, Hong Kong.

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The Board of Directors
CALB Co., Ltd.

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of CALB Co., Ltd. (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma adjusted net tangible assets of the Group as at 31 March 2022, and related notes (the “**Unaudited Pro Forma Financial Information**”) as set out on pages II-1 to II-2 of the prospectus issued by the Company. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Global Offering on the Group’s financial position as at 31 March 2022 as if the Global Offering had taken place at 31 March 2022. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s financial statements for the three months ended 31 March 2022, on which an accountant’s report has been published.

Directors’ Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant’s Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Global Offering at 31 March 2022 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors

in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,

RSM Hong Kong
Certified Public Accountants

23 September 2022
29th Floor, Lee Garden Two,
28 Yun Ping Road,
Causeway Bay, Hong Kong

TAXATION OF SECURITY HOLDERS**Taxation on Dividends***Individual Investors*

According to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) (the “**IIT Law**”), which was last amended on August 31, 2018 and the Regulation on Implementation of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》), which was last amended on December 18, 2018, dividends paid by PRC enterprises are subject to individual income tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to an individual income tax rate of 20% unless specifically exempted by the tax authority of the State Council or reduced by an applicable tax treaty.

According to Circular of Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) (Cai Shui Zi [1998] No. 61) issued by the MOF and the SAT, from January 1, 1997, income of individuals from transfer of the shares of listed enterprises continues to be exempted from individual income tax. Subsequently on December 31, 2009, the Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Moratorium Shares of Listed Companies (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》) (Cai Shui [2009] No. 167) came into effect, which provides that individuals’ income from transferring listed shares on certain domestic stock exchanges shall continue to be exempted from individual income tax, except for relevant moratorium shares (as defined in the Supplementary Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation) (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》) (Cai Shui [2010] No. 70).

According to the Notice on Issues Concerning Differentiated Individual Income Tax Policies on Dividends and Bonuses of Listed Companies 《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》 (Caishui [2015] No. 101) promulgated by the MOF, the SAT and China Securities Regulatory Commission on September 7, 2015, and effective on September 8, 2015, for individuals who acquire the stocks of a listed company from public offering or secondary market and hold the stocks for more than one year, the income from dividends and bonuses shall be temporarily exempt from individual income tax. For individuals who acquire the stocks of a listed company from public offering or transferring market, all the income from dividends and bonuses shall be included into the taxable amounts in case the holding period is less than one month (inclusive of one month); 50% thereof will be included into the taxable amounts in case the holding period is over one month but less than one year (inclusive of one year) temporarily; a unified tax rate at 20% shall be applicable to the aforesaid incomes in the levy of individual income tax.

According to the Notice of the SAT on Issues Concerning Taxation and Administration of Individual Income Tax After the Repeal of the Document Guo Shui Fa [1993] No. 45) (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) issued by the SAT on June 28, 2011, domestic non-foreign-invested enterprises issuing shares in Hong Kong may, when distributing dividends to overseas resident individuals under the tax treaty, normally withhold individual income tax at the rate of 10%, without applying to PRC tax authority. If the tax rate of 10% is not applicable, it shall be handled according to the following rules: (i) for residents of the countries who had entered into an income tax treaty with PRC to provide a tax rate lower than 10%, the withholding agent may handle the application for enjoying the agreed treatment on behalf of such individual, and the excess tax shall be returned subject to the examination and approval of the competent tax authority; (ii) for residents of the countries who had entered into an income tax treaty with PRC to provide a tax rate higher than 10% but lower than 20%, the withholding agent shall withhold individual income tax at the agreed effective tax rate without making any application; (iii) for residents of the countries who had not entered into an income tax treaty with PRC or in other cases, the withholding agent shall withhold a 20% individual income tax.

According to the Arrangement between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Income Tax (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) signed by the SAT on August 21, 2006 and effective on December 8, 2006, the PRC government may impose tax on dividends payable by a PRC company to a Hong Kong resident (including a natural person and a legal entity), but such tax amount shall not exceed 10% of the gross amount of dividends payable, and in the case where a Hong Kong resident holds a 25% or more of the equity interest in a PRC company, such tax amount shall not exceed 5% of the gross amount of dividends payable by the PRC company. Meanwhile, pursuant to the Fifth Protocol to the Arrangement between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Income Tax signed by the SAT on July 19, 2019 and effective on December 6, 2019, the above tax preference shall not apply to any arrangement or transaction with the primary purpose of obtaining the aforesaid tax benefits. The enforcement of the dividend terms of the tax agreements shall be in compliance with the Notice of the SAT on the Issues Concerning the Implementation of the Dividend Clauses of Tax Agreements (《國家稅務總局關於執行稅收協議股息條款有關問題的通知》) (Guo Shui Han [2009] No. 81) and other tax-related PRC laws and regulations.

For individual holders of H Shares who are entitled to receive dividends as residents of countries that have entered into a tax treaty with the PRC to provide a tax rate lower than 10%, the non-foreign-invested enterprise whose shares are listed in Hong Kong may apply on behalf of such holders for enjoying the lower preferential tax rate, and, upon approval by the tax authorities, the excess amount of withholding tax will be refunded. For individual holders of H Shares who are entitled to receive dividends as residents of countries that have entered into a tax treaty with the PRC to provide a tax rate higher than 10% but lower than 20%, the non-foreign-invested enterprise is required to withhold the tax at the agreed rate under the tax treaties, and no application is required. For individual holders of H Shares receiving dividends as foreign residents, and whose countries did not enter into tax treaties with the PRC, the non-foreign-invested enterprise is required to withhold the tax at a rate of 20%.

According to the Notice on Certain Policy Issues Concerning Individual Income Tax (《關於個人所得稅若干政策問題的通知》) (Cai Shui Zi [1994] No. 20) promulgated by the MOF and the SAT on May 13, 1994 and effective on the same day, the dividends and bonuses received by foreign individuals from foreign-invested enterprises are temporarily exempt from individual income tax.

Corporate Investors

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), which came into effect as of January 1, 2008 and was last amended on December 29, 2018, and the Implementation provisions for the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》), which came into effect as of January 1, 2008 and was last amended on April 23, 2019, the rate of enterprise income tax shall be 25%. A non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income (including dividends received by a PRC resident enterprise from issuing shares in Hong Kong), if such non-resident enterprise does not have an establishment or place in the PRC or has an establishment or place in the PRC but the PRC-sourced income is not connected to such establishment or place in the PRC. The aforesaid income tax may be reduced pursuant to applicable treaties to avoid double taxation. Such income tax payable by non-resident enterprises mentioned above are deducted at source, where the payer should be the withholding agent, and the tax amount is required to be withheld from the amount to be paid by the withholding agent when such payment is made or due.

The Circular of the SAT on Issues Relating to the Withholding of Enterprise Income Tax on Dividends Paid by Chinese Resident Enterprises to Overseas Non-PRC Resident Enterprise Shareholders of H Shares (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) (Guo Shui Han [2008] No. 897) which was issued by the SAT on November 6, 2008, further clarified that a PRC-resident enterprise must withhold enterprise income tax at a rate of 10% on dividends paid to overseas non-resident enterprise shareholders of H Shares for 2008 and subsequent years. In addition, the Response to Issues on Levying Enterprise Income Tax on Dividends Derived by Non-resident Enterprise from Holding Stock such as B-shares (《國家稅務總局關於非居民企業取得B股等股票股息徵收企業所得稅問題的批復》) (Guo Shui Han [2009] No. 394) which was issued by the SAT and came into effect on July 24, 2009, further provides that any PRC-resident enterprise that is listed on overseas stock exchanges must withhold enterprise income tax at a rate of 10% on dividends that it distributes to non-resident enterprises in 2008 and onwards. Such tax rates may subject to change pursuant to the tax treaty or agreement that China has concluded with relevant jurisdiction, where applicable.

According to the Arrangement between the Mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) signed on August 21, 2006, PRC Government may levy taxes on the dividends paid by a PRC company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of total dividends payable by the PRC company. If a Hong Kong resident

directly holds 25% or more of the equity interest in a PRC company, then such tax shall not exceed 5% of the total dividends payable by the Chinese company. The Fifth Protocol of the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion issued by the SAT (《國家稅務總局關於〈內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排〉第五議定書》) effective on December 6, 2019 states that such provisions shall not apply to those arrangements or transactions with the primary purpose of obtaining the aforesaid tax benefit. The application of the dividend clause of tax agreements shall be subject to the PRC tax laws and regulations, such as the Notice of the SAT on the Issues Concerning the Implementation of the Dividend Clauses of Tax Agreements (《國家稅務總局關於執行稅收協議股息條款有關問題的通知》) (Guo Shui Han [2009] No. 81).

Tax Treaties

Non-PRC resident investors residing in countries which have entered into treaties for the avoidance of double taxation with the PRC are entitled to a reduction of the withholding taxes imposed on the dividends received from PRC companies. The PRC currently has entered into Avoidance of Double Taxation Treaties/Arrangements with a number of countries and regions including HK, Macau, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant income tax treaties or arrangements are required to apply to the Chinese tax authorities for a refund of the withholding tax in excess of the agreed tax rate, and the refund payment is subject to approval by the Chinese tax authorities.

According to the Notice of the SAT on the Issues Concerning the Implementation of the Dividend Clauses of Tax Agreements 《國家稅務總局關於執行稅收協議股息條款有關問題的通知》 (Guo Shui Han [2009] No. 81) promulgated and came into effect on February 20, 2009, dividends distributed by a PRC company may only enjoy special tax treatment in accordance with the provisions of the relevant tax treaties after certain conditions are met. For example, the dividend recipient shall meet the conditions stipulated in the relevant tax treaties and directly hold the proportion of shares of certain class of shares and voting rights applicable to the relevant tax treaties in the PRC company at any time for 12 consecutive months prior to the receipt of the dividend. Furthermore, according to the Administrative Measures for Convention Treatment for Non-resident Taxpayers (《非居民納稅人享受協定待遇管理辦法》), which was promulgated on October 14, 2019 and became effective on January 1, 2020, non-resident taxpayers claiming treaty benefits shall be handled in accordance with the principles of “self-assessment, claiming benefits, retention of the relevant materials for future inspection.” Where a non-resident taxpayer self-assesses and concludes that it satisfies the criteria for claiming treaty benefits, it may enjoy treaty benefits at the time of tax declaration or at the time of withholding through a withholding agent, simultaneously gather and retain the relevant materials pursuant to the provisions of these Measures for future inspection, and subject to subsequent administration by tax authorities.

Taxation on Share Transfer***VAT and Local Additional Tax***

According to the Notice on Fully Implementing the Pilot Reform for the Transition from Business Tax to Value-added Tax (《關於全面推開營業稅改徵增值稅試點的通知》) (Cai Shui [2016] No. 36) (hereinafter referred to as “Circular 36”) promulgated by the MOF and the SAT on March 23, 2016, implemented on May 1, 2016, and amended on July 11, 2017, December 25, 2017 and March 20, 2019, respectively, entities and individuals engaged in the services sale in the PRC are subject to VAT and “engaged in the services sale in the PRC” means that the seller or buyer of the taxable services is located in the PRC. Circular 36 also provides that transfer of financial products, including transfer of the ownership of marketable securities, shall be subject to VAT at 6% on the taxable revenue (which is the balance of sales price upon deduction of purchase price), for a general or a foreign VAT taxpayer. However, individuals who transfer financial products are exempt from VAT, which is also provided in the Notice of Ministry of Finance and State Administration of Taxation on Several Tax Exemption Policies for Business Tax on Sale and Purchase of Financial Commodities by Individuals (《財政部、國家稅務總局關於個人金融商品買賣等營業稅若干免稅政策的通知》) (Cai Shui [2009] No. 111) effective on January 1, 2009.

At the same time, VAT payers are also required to pay urban maintenance and construction tax, education surtax and local education surcharge (hereinafter collectively referred to as “Local Additional Tax”), which shall be usually subject to 12% of the VAT payable (if any).

Income tax***Individual Investors***

According to the Individual Income Tax Law and its implementation provisions, proceeds from the sale of equity interests in the PRC resident enterprises are subject to individual income tax at a rate of 20%. According to the Circular on Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) (Cai Shui [1998] No. 61) promulgated by the MOF and the SAT on March 20, 1998, from January 1, 1997, proceeds from transfer of the shares of listed enterprises continues to be exempted from individual income tax. On December 31, 2009, the MOF, the SAT and CSRC jointly issued the Circular on Related Issues on Levying Individual Income Tax over the Income Received by Individuals from the Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》) (Cai Shui [2009] No. 16), which states that individuals’ proceeds from the transfer of the shares of listed companies on the Shanghai Stock Exchange and the Shenzhen Stock Exchange shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restriction (as defined in the Supplementary Notice on Issues Concerning the Levy of Individual Income Tax on Individuals’ Income from the Transfer of Restricted Stocks of Listed Companies (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》) (Cai Shui [2010] No. 70) jointly issued by such three departments on November 10, 2010).

As of the Latest Practicable Date, no aforesaid provisions have expressly provided that individual income tax shall be levied from non-Chinese resident individuals on the transfer of shares in PRC resident enterprises listed on overseas stock exchanges. To our knowledge, in practice, the PRC tax authorities have not sought to collect individual income tax from non-PRC resident individuals on gains from the transfer of listed shares of PRC resident enterprises on overseas stock exchanges. However, there is no assurance that the PRC tax authorities will not change these practices, which could result in levying income tax on non-PRC resident individuals on gains from the sale of our H Share.

Enterprise Investors

According to the EIT Law and its implementation provisions, a non-resident enterprise is generally subject to corporate income tax at a rate of 10% on PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. Such income tax payable for non-resident enterprises are deducted at source, for which the payer thereof shall be the withholding agent. When making such payment or when such payment becomes due and payable, the withholding agent shall withhold the income tax from the payment or the payment becoming due and payable. Such tax may be reduced or exempted pursuant to relevant tax treaties or agreements on avoidance of double taxation.

Stamp Duty

According to the Provisional Regulations of the PRC on Stamp Duty (《中華人民共和國印花稅暫行條例》) came into effect on October 1, 1988 and amended on January 8, 2011, and the Implementation Provisions of Provisional Regulations of the PRC on Stamp Duty (《中華人民共和國印花稅暫行條例施行細則》) came into effect on October 1, 1988, PRC stamp duty only applies to specific voucher executed or received within the PRC, having legally binding force in the PRC and being protected under the PRC laws, thus the requirements of the stamp duty imposed on the transfer of shares of PRC listed companies shall not apply to the acquisition and disposal of H Shares by non-PRC investors outside of the PRC.

Estate Duty

Currently no estate duty has been levied in the PRC.

PRINCIPAL TAXATION OF OUR COMPANY IN THE PRC**Enterprise Income Tax**

According to EIT Law and its implementation provisions, enterprises and other organizations which generate income within the PRC are enterprise income tax payers and shall pay enterprise income tax at a tax rate of 25%. A foreign-invested enterprise in the PRC that is classified as a resident enterprise shall pay enterprise income tax on its income derived from sources within and without China at a rate of 25%.

Value-added Tax

According to Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例》) (“VAT Provisional Regulations”) and Implementation Rules for the Provisional Regulations the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》) (“VAT Provisional Regulations Implementation Rules”), entities and individuals that sell goods or labor services of processing, repair or replacement, sales, intangible assets, real estates, or import goods within the territory of the PRC are taxpayers of value-added tax (“VAT”), and shall pay VAT in accordance with these Regulations. Unless otherwise provided for by law, the VAT rate is: 17%, for taxpayers selling goods, labor services, or tangible movable property leasing services or importing goods; 11%, for taxpayers selling transportation, postal, basic telecommunications, construction, or real estates leasing services, selling real estates, transferring the rights to use land, or selling or importing specific goods; 6%, for taxpayers selling services or intangible assets; zero, for domestic entities and individuals selling services or intangible assets within the scope prescribed by the State Council across national borders; and zero, for taxpayers exporting goods, except as otherwise specified by the State Council.

According to the Notice on Fully Implementing the Pilot Reform for the Transition from Business Tax to Value-added Tax (《關於全面推開營業稅改徵增值稅試點的通知》) (Cai Shui [2016] No. 36) promulgated by the MOF and the SAT on March 23, 2016, and implemented on May 1, 2016, the pilot program of the collection of value-added tax in lieu of business tax shall be promoted nationwide in a comprehensive manner, and all taxpayers of business tax engaged in the building industry, the real estate industry, the financial industry and the life service industry shall be included in the scope of the pilot program with regard to the payment of value-added tax instead of business tax.

According to the Circular of Taxation on Adjusting Value-added Tax Rates (《關於調整增值稅稅率的通知》) (“Cai Shui [2018] No. 32”) promulgated by the MOF and the SAT on April 4, 2018 and implemented on May 1, 2018, where a taxpayer engages in a taxable sales activity for the value-added tax purpose or imports goods, the previous applicable 17% and 11% tax rates are lowered to 16% and 10%, respectively.

According to the Announcement on Relevant Policies for Deepening the Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》) promulgated by the MOF, the SAT and the General Administration of Customs of the PRC on March 20, 2019 and implemented on April 1, 2019 (“Circular 39 by the MOF, the SAT and the General Administration of Customs for 2019”) (“Circular 39”), for general VAT taxpayers who conduct VAT taxable sales or import goods, applicable tax rates that were previously subject to 16% and 10% were adjusted to 13% and 9%, respectively.

Foreign Exchange

The lawful currency of the PRC is Renminbi, which is currently subject to foreign exchange controls and cannot be freely converted into foreign currency. The SAFE, under the authority of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

According to Regulations on Foreign Exchange Administration of the PRC (《中華人民共和國外匯管理條例》) (the “Foreign Exchange Administration Regulations”) promulgated by the State Council on January 29, 1996 and became effective on April 1, 1996, the Foreign Exchange Administration Regulations classify all international payments and transfers into current items and capital items. Most of the current items are not subject to the approval of foreign exchange administration authorities, while capital items are subject to such approval. The Foreign Exchange Administration Regulations were subsequently amended on January 14, 1997 and August 1, 2008, and became effective on August 5, 2008. The latest amendment to the Foreign Exchange Administration Regulations clearly states that the PRC will not impose any restriction on international current payments and transfers.

On June 20, 1996, PBOC promulgated the Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) (Yin Fa [1996] No. 210) (the “Settlement Regulations”), which became effective on July 1, 1996. The Settlement Regulations do not impose any restrictions on convertibility of foreign exchange under current items, while imposes restrictions on foreign exchange transactions under capital items.

According to the relevant laws and regulations in the PRC, PRC enterprises (including foreign-invested enterprises) which need foreign exchange for current account transactions may, without the approval of the foreign exchange administrative authorities, effect payment through foreign exchange accounts opened at financial institutions that carries foreign exchange business or operating institutions that carries settlement and sale business, on the strength of valid receipts and proof. Foreign-invested enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with regulations, are required to pay dividends to their shareholders in foreign exchange may, on the strength of resolutions of the board of directors or the shareholders’ meeting on the distribution of profits, effect payment from foreign exchange accounts opened at financial institutions that carries foreign exchange business or institutions that carries settlement and sale business, or effect exchange and payment at financial institutions that carry foreign exchange business or institutions that carry settlement and sale business.

According to the Circular on Improving the Reform of the Renminbi Exchange Rate Formation Mechanism (《關於完善人民幣匯率形成機制改革的公告》) (PBOC Circular [2005] No. 16) promulgated by the PBOC on July 21, 2005, the PRC has started to implement a managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand and adjusted with reference to a basket of currencies. Therefore, the Renminbi exchange rate was no longer pegged to the U.S. dollar. PBOC would publish the closing price of the exchange rate of the Renminbi against trading currencies such as the U.S. dollar in the interbank foreign exchange market after the closing of the market on each working day, as the central parity of the currency against Renminbi transactions on the following working day.

According to the Announcement on the Improvement of the Inter-bank Spot Foreign-Exchange Market (《中國人民銀行關於進一步完善銀行間即期外匯市場的公告》) (PBOC Announcement [2006] No.1), since January 4, 2006, the PBOC improved the method of generating the middle price for quoting the RMB exchange rate by introducing an enquiry system while keeping the match-making system in the interbank spot foreign exchange market. In addition, PBOC provided liquidity in the foreign exchange market by introducing the market-making system in the inter-bank foreign exchange market.

According to the Decision of the State Council on Canceling and Adjusting a Group of Administrative Approval Items and Other Matters (《國務院關於取消和調整一批行政審批項目等事項的決定》) (Guo Fa [2014] No.50), it canceled the administrative approval by the SAFE and its branches for matters concerning the repatriation and settlement of foreign exchange of overseas-raised funds through overseas listing.

On December 26, 2014, the SAFE issued the Notice of the SAFE on Issues Concerning the Foreign Exchange Administration of Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》) (Hui Fa [2014] No. 54), pursuant to which a domestic company shall, within 15 business days of the date of the end of its overseas listing issuance, register the overseas listing with the SAFE's local branch at the place of its incorporation; and the proceeds from an overseas listing of a domestic company may be remitted to the domestic account or deposited in an overseas account, but the use of the proceeds shall be consistent with the content of the prospectus and other disclosure documents.

On February 13, 2015, the SAFE issued the Notice of the SAFE on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (Hui Fa [2015] No. 13), which came into effect on June 1, 2015 and were partly cancelled. The notice has cancelled the confirmation of foreign exchange registration under domestic direct investment and the confirmation of foreign exchange registration under overseas direct investment, instead, banks shall directly examine and handle foreign exchange registration under domestic direct investment and foreign exchange registration under overseas direct investment, and the SAFE and its local branches shall indirectly regulate the foreign exchange registration of direct investment through banks.

According to the Notice of the SAFE on Revolutionize and Regulate Capital Account Settlement Management Policies (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (Hui Fa [2016] No. 16) issued by the SAFE on June 9, 2016, foreign currency earnings in capital account that relevant policies of willingness exchange settlement have been clearly implemented on (including the recalling of raised capital by overseas listing) may undertake foreign exchange settlement in the banks according to actual business needs of the domestic institutions. The tentative percentage of foreign exchange settlement for foreign currency earnings in capital account of domestic institutions is 100%, subject to adjustment of the SAFE in due time in accordance with international revenue and expenditure situations.

On January 26, 2017, the SAFE issued the Notice of the SAFE on Further Promoting the Reform of Foreign Exchange Administration and Improving the Examination of Authenticity and Compliance (《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》) (Hui Fa [2017] No. 3) to further expand the scope of settlement for domestic foreign exchange loans, allow settlement for domestic foreign exchange loans with export background under goods trading, allow repatriation of funds under domestic guaranteed foreign loans for domestic utilization, allow settlement for domestic foreign exchange accounts of foreign institutions operating in the Free Trade Pilot Zones, and adopt the model of full-coverage RMB and foreign currency overseas lending management, where a domestic institution engages in overseas lending, the sum of its outstanding overseas lending in RMB and outstanding overseas lending in foreign currencies shall not exceed 30% of its owner's equity in the audited financial statements of the preceding year.

In accordance with the Circular of the SAFE on Further Promoting Cross-border Trade and Investment Facilitation (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》) (Hui Fa [2019] No. 28) promulgated by the SAFE on October 23, 2019, and became effective on the same day, foreign-invested enterprises engaged in non-investment business are permitted to settle foreign exchange capital in RMB and make domestic equity investments with such RMB funds according to laws and regulations under the condition that the current Special Administrative Measures (Negative List) for Foreign Investment Access are not violated and the relevant domestic investment projects are authentic and compliant.

According to the Circular of the SAFE on Optimizing Foreign Exchange Administration to Support the Development of Foreign-related Business (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》) (Hui Fa [2020] No. 8) promulgated by the SAFE on April 10, 2020 and became effective on the same day, the reform of facilitating the payments of incomes under the capital accounts shall be promoted nationwide. Under the prerequisite of ensuring true and compliant use of funds and compliance with the prevailing administrative provisions on use of income under the capital account, enterprises which satisfy the criteria are allowed to use income under the capital account, such as capital funds, foreign debt and overseas listing, etc. for domestic payment, without prior provision of proof materials for veracity to the bank for each transaction.

THE PRC LEGAL SYSTEM

The PRC legal system is based on the PRC Constitution (《中華人民共和國憲法》, the “Constitution”), which was adopted on December 4, 1982 and amended on April 12, 1988, March 29, 1993, March 15, 1999, March 14, 2004 and March 11, 2018. The PRC legal system is made up of written laws, administrative regulations, local regulations, autonomous regulations, separate regulations, rules and regulations of State Council departments, rules and regulations of local governments, laws of special administrative regions, international treaties of which the PRC government is a signatory, and other regulatory documents. Court judgments do not constitute legally binding precedents, although they are used for the purposes of judicial reference and guidance.

The National People’s Congress (the “NPC”) and its Standing Committee are empowered to exercise the legislative power of the State in accordance with the Constitution and the PRC Legislation Law (《中華人民共和國立法法》), which was adopted on July 1, 2000 and amended on March 15, 2015. The NPC has the power to formulate and amend basic laws governing state organs, civil, criminal and other matters. The Standing Committee of the NPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend parts of the laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of state administration and has the power to formulate administrative regulations based on the Constitution and laws.

The people’s congresses of the provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual needs of their respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations. The people’s congresses of cities divided into districts and their respective standing committees may formulate local regulations on aspects such as urban and rural construction and management, environmental protection and historical and cultural protection based on the specific circumstances and actual needs of such cities, provided that such local regulations do not contravene any provision of the Constitution, laws, administrative regulations and local regulations of their respective provinces or autonomous regions. If the law provides otherwise on the matters concerning formulation of local regulations by cities divided into districts, those provisions shall prevail. Such local regulations by cities divided into districts will become enforceable after being reported to and approved by the standing committees of the people’s congresses of the relevant provinces or autonomous regions. The standing committees of the people’s congresses of the provinces or autonomous regions examine the legality of local regulations submitted for approval, and such approval should be granted within four months if they are not in conflict with the Constitution, laws, administrative regulations and local regulations of such provinces or autonomous regions. Where, during the examination for approval of local regulations of cities divided into districts

by the standing committees of the people's congresses of the provinces or autonomous regions, conflicts are identified with the rules and regulations of the people's governments of the provinces or autonomous regions concerned, a decision should be made by the standing committees of the people's congresses of provinces or autonomous regions to resolve the issue. People's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the ethnic groups in the areas concerned.

The ministries and commissions of the State Council, the People's Bank of China, National Audit Office and the subordinate institutions with administrative functions directly under the State Council may formulate departmental rules within the jurisdiction of their respective departments based on the laws and administrative regulations, and the decisions and orders of the State Council. Provisions of departmental rules should be the matters related to the enforcement of the laws and administrative regulations, and the decisions and orders of the State Council. The people's governments of the provinces, autonomous regions, municipalities and cities or autonomous prefectures divided into districts may formulate rules and regulations based on the laws, administrative regulations and local regulations of such provinces, autonomous regions and municipalities.

According to the Constitution, the power to interpret laws is vested in the Standing Committee of the NPC. Pursuant to the Resolution of the Standing Committee of the NPC Providing an Improved Interpretation of the Law (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) implemented on June 10, 1981, the Supreme People's Court has the power to give interpretation on issues related to the application of laws in a court trial, and issues related to the application of laws in a prosecution process of a procuratorate should be interpreted by the Supreme People's Procuratorate. If there is any disagreement in principle between Supreme People's Court's interpretations and Supreme People's Procuratorate's interpretations, such issues shall be reported to the Standing Committee of the NPC for interpretation or judgment. The other issues related to laws other than the abovementioned should be interpreted by the State Council and the competent authorities. The State Council and its ministries and commissions are also vested with the power to give interpretations of the administrative regulations and departmental rules which they have promulgated. At the regional level, the power to interpret regional laws is vested in the regional legislative and administrative authorities which promulgate such laws.

THE PRC JUDICIAL SYSTEM

Under the Constitution and the Law of Organization of the People's Courts of the PRC (《中華人民共和國人民法院組織法》), which is adopted on January 1, 1980 and amended on September 2, 1983, December 2, 1986, October 31, 2006 and October 26, 2018, the PRC judicial system is made up of the Supreme People's Court, the local people's courts and special people's courts.

The local people's courts are comprised of the basic people's courts, the intermediate people's courts and the higher people's courts. The basic people's courts may set up civil, criminal and economic divisions, and certain people's courts based on the facts of the region, population and cases. The intermediate people's courts have divisions similar to those of the basic people's courts and may set up other special divisions if needed. These two levels of people's courts are subject to supervision by people's courts at higher levels. The Supreme People's Court is the highest judicial authority in the PRC. It supervises the administration of justice by the people's courts at all levels and special people's courts. The Supreme People's Procuratorate is authorised to supervise the judgment and ruling of the people's courts at all levels which have been legally effective, and the people's procuratorate at a higher level is authorised to supervise the judgment and ruling of a people's court at lower levels which have been legally effective.

The people's courts adopt a "second instance as final" appellate system. A party may appeal against the judgment or ruling of the first instance of a local people's court. The people's procuratorate may present a protest to the people's court at the next higher level in accordance with the procedures stipulated by the laws. In the absence of any appeal by the parties and any protest by the people's procuratorate within the stipulated period, the judgments or rulings of the people's court are final. Judgments or rulings of the second instance of the intermediate people's courts, the higher people's courts and the Supreme People's Court, and judgments or rulings of the first instance of the Supreme People's Court are final. However, if the Supreme People's Court finds some definite errors in a legally effective judgment, ruling or conciliation statement of the people's court at any level, or if the people's court at a higher level finds such errors in a legally effective judgment, ruling or conciliation statement of the people's court at a lower level, it has the authority to review the case itself or to direct the lower-level people's court to conduct a retrial. If the chief judge of all levels of people's courts finds some definite errors in a legally effective judgment, ruling or conciliation statement, and considers a retrial is preferred, such case shall be submitted to the judicial committee of the people's court at the same level for discussion and decision.

The Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》, the "PRC Civil Procedure Law") adopted on April 9, 1991 and amended on October 28, 2007, August 31, 2012 and June 27, 2017 prescribes the conditions for instituting a civil action, the jurisdiction of the people's courts, the procedures for conducting a civil action, and the procedures for enforcement of a civil judgment or ruling. All parties to a civil action conducted within the PRC must abide by the PRC Civil Procedure Law. Generally, a civil case is initially heard by the court located in the defendant's place of domicile. The court of jurisdiction in respect of a civil action may also be chosen by explicit agreement among the parties to a contract, provided that the people's court having jurisdiction should be located at places substantially connected with the disputes, such as the plaintiff's or the defendant's place of domicile, the place where the contract is executed or signed or the place where the object of the action is located. Moreover, the provisions regarding the level of jurisdiction and exclusive jurisdiction shall not be violated.

A foreign individual, a person without nationality, a foreign enterprise or a foreign organization is given the same litigation rights and obligations as a citizen, a legal person or other organizations of the PRC when initiating actions or defending against litigations at a PRC court. Should a foreign court limit the litigation rights of PRC citizens or enterprises, the PRC court may apply the same limitations to the citizens and enterprises of such foreign country. A foreign individual, a person without nationality, a foreign enterprise or a foreign organization must engage a PRC lawyer in case he or it needs to engage a lawyer for the purpose of initiating actions or defending against litigations at a PRC court. In accordance with the international treaties to which the PRC is a signatory or participant or according to the principle of reciprocity, a people's court and a foreign court may request each other to serve documents, conduct investigation and collect evidence and conduct other actions on its behalf. All parties to a civil action shall perform the legally effective judgments and rulings. If any party to a civil action refuses to abide by a judgment or ruling made by a people's court or an award made by an arbitration tribunal in the PRC, the other party may apply to the people's court for the enforcement of the same within two years subject to application for postponed enforcement or revocation. If a party fails to satisfy within the stipulated period a judgment which the court has granted an enforcement approval, the court may, upon the application of the other party, mandatorily enforce the judgment on the party.

Where a party applies for enforcement of a judgment or ruling made by a people's court against a party who is not within the territory of the PRC and does not own any property in the PRC, the applicant may directly apply to a foreign court with jurisdiction for recognition and enforcement of the judgment or ruling. A foreign judgement or ruling may also be recognised and enforced according to the PRC enforcement procedures by the people's court in accordance with the international treaties entered into with the relevant foreign country or the principle of reciprocity involved in which provides for such recognition and enforcement, unless the people's court considers that the recognition or enforcement of such judgment or ruling would violate the basic legal principles of the PRC, its sovereignty or national security, or against the social and public interests.

THE PRC COMPANY LAW, SPECIAL REGULATIONS AND MANDATORY PROVISIONS

The Company Law (《公司法》) which was promulgated on December 29, 1993 by the Standing Committee of the NPC, last amended on October 26, 2018 and came into effect on the same date regulates the organization and operation of companies and protects the legitimate rights and interests of companies, shareholders and creditors. The Company Law has cancelled the restriction on the minimum registered capital and replaced the registered paid-up share capital system by the registered subscribed capital system.

The Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (《國務院關於股份有限公司境外募集股份及上市的特別規定》, the "Special Regulations") were promulgated by the State Council, and took effect on August 4, 1994. The Special Regulations are formulated according to the Company Law

(1993) in respect of the overseas share subscription and listing of joint stock limited companies. The Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (《到境外上市公司章程必備條款》, the “Mandatory Provisions”) were issued jointly by the former Securities Commission of the State Council and the former State Economic Restructuring Commission on August 27, 1994, prescribing provisions which must be incorporated into the articles of association of joint stock limited companies to be listed overseas. Accordingly, the Mandatory Provisions have been incorporated in the Articles of Association (which are summarised in the appendix headed “Appendix V – Summary of the Articles of Association” to this prospectus).

Copies of the Chinese text of the PRC Company Law, Special Regulations and the Mandatory Provisions together with copies of their unofficial English translations thereof are available for inspection as mentioned in the appendix headed “Appendix VII – Documents delivered to the Registrar of Companies in Hong Kong and documents on display” to this prospectus.

General

A “joint stock limited liability company” (hereinafter referred to as “company”) is a corporate legal person incorporated under the PRC Company Law, whose registered capital is divided into shares of equal nominal value. The liability of its shareholders is limited to the extent of the shares held by them, and the liability of our company is limited to the full amount of all the assets owned by it.

A state-owned enterprise that is restructured into a company must comply with the conditions and requirements specified by law and administrative regulation, for the modification of its operation mechanisms, the systematic handling and evaluation of our company’s assets and liabilities and the establishment of internal management organs.

Incorporation

A company may be incorporated by promotion or subscription. A company may be incorporated by two to 200 promoters, but at least half of the promoters must reside in the PRC.

Companies incorporated by promotion are companies with the registered capital entirely subscribed for by the promoters. Where companies are incorporated by subscription, the promoters are required to subscribe for not less than 35% of the total number of shares of a company unless otherwise stipulated by laws and regulations, and the remaining shares can be offered to the public or specific persons, unless otherwise required by law.

For companies incorporated by promotion, the registered capital has to be the total capital subscribed for by all promoters as registered with our company registration authority. Our company shall not raise capital from others before the promoters fully pay the capital subscribed by them; for companies established by public subscription, the registered capital is the amount of total paid-up capital as registered with our company registration authority.

The promoters shall convene an inaugural meeting within 30 days after the issued shares have been fully paid up, and shall 15 days before the meeting give notice to all subscribers or make a public announcement of the date of the inaugural meeting.

The inaugural meeting may be convened only with the presence of shareholders holding shares representing more than 50% of the total issued shares of our company. At the inaugural meeting, matters including the adoption of draft articles of association proposed by the promoter(s) and the election of the board of directors and the supervisory committee of our company will be dealt with. All resolutions of the meeting require the approval of subscribers with more than half of the voting rights present at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors shall apply to our company registration authority for registration of the establishment of our company. Our company is formally established and has the status of a legal person after the approval for registration has been given and a business license has been issued.

Share Capital

The promoters of a company can make capital contributions in cash or in kind, that can be valued in currency and transferable according to law such as intellectual property rights or land use rights based on their appraised value.

If capital contribution is made other than in cash, valuation and verification of the property contributed must be carried out and converted into shares according to the laws.

A company may issue registered or bearer shares. However, shares issued to promoter(s) or legal person(s) shall be in the form of registered shares and shall be registered under the name(s) of such promoter(s) or legal person(s) and shall not be registered under a different name or the name of a representative.

The Special Regulations and the Mandatory Provisions provide that shares issued to foreign investors and listed overseas shall be issued in registered form and shall be denominated in Renminbi and subscribed for in foreign currency.

Under the Special Regulations and the Mandatory Provisions, shares issued to foreign investors and investors from the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan and listed overseas are known as overseas listed foreign shares, and those shares issued to investors within the PRC other than the territories specified above are known as domestic shares.

A company may offer its shares to the public overseas with approval by the securities administration department of the State Council. Specific provisions shall be specifically formulated by the State Council. Under the Special Regulations, upon approval of the CSRC, a company may agree, in the underwriting agreement in respect of an issue of overseas listed foreign shares, to retain not more than 15% of the aggregate number of overseas listed foreign shares proposed to be issued after accounting for the number of underwritten shares.

The share offering price may be equal to or greater than nominal value, but shall not be less than nominal value.

The transfer of shares by shareholders should be conducted via the legally established stock exchange or in accordance with other methods as stipulated by the State Council. Transfer of registered shares by a shareholder must be made by means of an endorsement or by other means stipulated by law or administrative regulation. Bearer shares are transferred by delivery of the share certificates to the transferee.

Shares held by a promoter of a company shall not be transferred within one year after the date of our company's incorporation. Shares issued by a company prior to the public offer of its shares shall not be transferred within one year from the date of listing of the shares of our company on a stock exchange. Directors, supervisors and senior management of a company shall not transfer over 25% of the shares held by each of them in our company each year during their term of office and shall not transfer any share of our company held by each of them within one year after the listing date. There is no restriction under the PRC Company Law as to the percentage of shareholding a single shareholder may hold in a company.

Transfers of shares may not be entered in the register of members within 20 days before convening a shareholders' general meeting or within five days prior to the reference date set by our company for the purpose of distribution of dividends.

Increase in Capital

Under the PRC Company Law, an increase in the capital of a company by means of an issue of new shares must be approved by shareholders in general meeting.

Save for the above-mentioned shareholder approval requirement, for a public offering of new shares, the Securities Law provides that our company shall: (i) have a sound organizational structure with satisfactory operating record; (ii) have the capability of continuing profitability and a healthy financial position; (iii) have no false statements and other material breaches in the financial and accounting documents of the last three years; (iv) fulfill other conditions required by the securities administration department of the State Council as approved by the State Council.

Public offer requires the approval of the securities administration department of the State Council.

After payment in full for the new shares issued, a company must change its registration with our company registration authority and issue a public notice accordingly.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the PRC Company Law:

- (i) our company shall prepare a balance sheet and an inventory of the assets;
- (ii) the reduction of registered capital must be approved by shareholders in general meeting;
- (iii) our company shall inform its creditors of the reduction in capital within 10 days and publish an announcement of the reduction in the newspaper within 30 days after the resolution approving the reduction has been passed;
- (iv) the creditors of our company may within the statutory prescribed time limit require our company to pay its debts or provide guarantees covering the debts; and
- (v) our company must apply to our company registration authority for registration of the reduction in registered capital.

Repurchase of Shares

A company may not purchase its own shares other than for the purpose of:

- (i) reducing our company's registered capital;
- (ii) merging with another company holding our company's shares;
- (iii) using the shares as employee stock plan or share incentive;
- (iv) requiring our company to acquire shares from shareholders who have voted against the resolutions passed at a general meeting on the merger or division of our company;
- (v) using the shares to convert the corporate bonds issued by a listed company that may be converted into share; and
- (vi) necessary if a listed company wishes to maintain the value of our company and the interests of the shareholders.

Transfer of Shares

Shares may be transferred in accordance with the relevant laws and regulations. A shareholder should effect a transfer of his shares on a stock exchange established in accordance with laws or by any other means as required by the State Council. Registered shares shall be transferred by means of endorsement by shareholders or by such other means specified by laws or regulations. The transfer of bearer share certificates shall become effective upon the delivery of the certificates to the transferee by the shareholder.

The shares held by the promoters of our company shall not be transferable within one year from the date of our incorporation. Shares issued prior to our company's public offering shall not be transferable within one year from the date on which our company's shares are listed on the stock exchange.

The shares transferrable by directors, supervisors and senior management officers of our company during each year of their tenures shall not exceed twenty-five percent of their total holdings of the shares in our company. The shares in our company held by them are not transferable within one year from the date of listing and shall not be transferred within six months of their departure from our company.

Shareholders

Shareholders have such rights and obligations as set forth in the articles of association of a company. The articles of association of a company are binding on each shareholder. Under the PRC Company Law and the Mandatory Provisions, the rights of a shareholder include:

- (i) to attend in person or appoint a proxy to attend general meetings, and to vote in respect of the number of shares held;
- (ii) to transfer his shares in accordance with applicable laws and regulations and the articles of association of our company;
- (iii) to inspect our company's articles of association, shareholders' registers, records of debentures, minutes of general meetings, board resolutions, supervisors resolutions, financial and accounting reports and put forward proposals or raise questions about the business operations of our company;
- (iv) if any directors or senior management officers damages the shareholder's interests by violating law or administrative regulations or article of association, the shareholders may lodge an action in the people's court;
- (v) to receive dividends and other distributions in respect of the number of shares held;

- (vi) to obtain surplus assets of our company upon its termination in proportion to his shareholding;
- (vii) to claim against other shareholders who abuse their shareholders' rights for the damages; and
- (viii) any other shareholders' rights specified in our company's articles of association.

The obligations of a shareholder include the obligation to abide by our company's articles of association, to pay the subscription monies in respect of the shares subscribed for, to be liable for our company's debts and liabilities to the extent of the amount of subscription monies agreed to be paid in respect of the shares taken up by him, not to abuse shareholders' right to damage the interests of our company or other shareholders of our company, and not to abuse the independent status of our company as a legal person and the limited liability to damage the interests of the creditors of our company, and any other shareholders' obligation specified in our company's articles of association.

General Meetings

The general meeting is the organ of authority of our company, which exercises its powers in accordance with the Company Law.

The general meeting exercises the following principal powers:

- (i) to decide on our company's operational policies and investment plans;
- (ii) to elect or replace the directors, supervisors who are not representatives of the employees and decide on matters relating to the remuneration of directors and supervisors;
- (iii) to consider and approve reports of the board of directors;
- (iv) to consider and approve reports of the supervisory committee;
- (v) to consider and approve our company's proposed annual financial budget and financial accounts;
- (vi) to consider and approve our company's proposals for profit distribution and for recovery of losses;
- (vii) to decide on any increase or reduction in our company's registered capital;
- (viii) to decide on the issue of bonds by our company;

- (ix) to decide on issues such as merger, division, dissolution, liquidation or change of the form of our company and other matters;
- (x) to decide on the appointment, resignation or dismissal of the accounting firm;
- (xi) to amend the articles of association of our company; and
- (xii) other powers specified in the articles of association of our company.

A general meeting is required to be held once every year. An extraordinary general meeting is required to be held within two months after the occurrence of any of the following circumstances:

- (i) the number of directors is less than the number provided for in the Company Law or less than two-thirds of the number specified in our company's articles of association;
- (ii) the losses of our company which are not made up reach one-third of our company's total paid up share capital;
- (iii) a request by a shareholder that holds, or by shareholders that hold in aggregate, 10% or more of our company's shares;
- (iv) when deemed necessary by the board of directors;
- (v) when the supervisory committee proposes convening it; or
- (vi) other matters required by our company's articles of association.

General meetings shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or not performing his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of directors shall preside over the meeting. Where the board of directors is incapable of performing or not performing its duties of convening the general meeting, the supervisory committee shall convene and preside over such meeting in a timely manner. In case the supervisory committee fails to convene and preside over such meeting, shareholders alone or in aggregate holding more than 10% of the total shares of our company for 90 days consecutively may unilaterally convene and preside over such meeting.

In accordance with the Reply of the State Council on the Adjustment to the Notice Period for General Meetings and Other Matters Applicable to Overseas Listed Companies (《國務院關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批覆》) (Guo Han [2019] No. 97) issued by the State Council on October 17, 2019, it is agreed that the relevant

provisions of the Company Law shall be uniformly applied to the requirements of the notice period, the right of shareholders to propose and the procedures for convening the general meeting of a joint stock limited company registered in China and listed abroad, and the provisions of Articles 20 to 22 of the Special Provisions shall no longer apply. Therefore, the notice of the general meeting shall be given to all shareholders 20 days before the meeting, stating the matters to be considered at the meeting.

Shareholders present at a general meeting have one vote for each share they hold, but our company shall have no vote for any of its own shares our company holds.

Resolutions proposed at the general meeting shall be adopted by more than half of the voting rights cast by shareholders present (including those represented by proxies) at the meeting, with the exception of matters relating to merger, division, dissolution, increase or reduction in registered capital, change in the form of our company or amendments to the articles of association which shall be adopted by shareholders with two-thirds or more of the voting rights cast by shareholders present (including those represented by proxies) at the meeting.

Shareholders may entrust a proxy to attend general meetings on his behalf by a power of attorney which sets forth the scope of exercising the voting rights.

There is no specific provision in the Company Law regarding the number of shareholders constituting a quorum in a general meeting. The Mandatory Provisions require class meetings to be held in the event of **a variation or derogation of the class rights of a class**. Holders of domestic invested shares and holders of overseas listed foreign invested shares are deemed to be different classes of shareholders for this purpose.

Directors

A company shall have a board of directors, which shall consist of 5 to 19 members and there can be staff representatives of our company. Under the Company Law, each term of office of a director shall not exceed three years. A director may serve consecutive terms if re-elected.

Meetings of the board of directors shall be convened at least twice a year. Notice of meeting shall be given to all directors and supervisors at least 10 days before the meeting. The board of directors may provide for a different method of giving notice and notice period for convening an extraordinary meeting of the board of directors.

Under the Company Law, the board of directors exercises the following powers:

- (i) to convene the general meeting and report on its work to the shareholders;
- (ii) to implement the resolution of the general meeting;

- (iii) to decide on our company's business plans and investment plans;
- (iv) to formulate our company's proposed annual financial budget and final accounts;
- (v) to formulate our company's proposals for profit distribution and for recovery of losses;
- (vi) to formulate proposals for the increase or reduction of our company's registered capital and the issue of corporate bonds;
- (vii) to prepare plans for the merger, division, dissolution or change of the form of our company;
- (viii) to decide on our company's internal management structure;
- (ix) to appoint or dismiss our company's general manager, and based on the general manager's recommendation, to appoint or dismiss deputy general manager and financial officers of our company and to decide on their remuneration;
- (x) to formulate our company's basic management system; and
- (xi) any other power given under the articles of association of our company.

In addition, the Mandatory Provisions provide that the board of directors is also responsible for formulating the proposals for amendment of the articles of association of a company.

Meetings of the board of directors shall be held only if more than half of the directors are present. Resolutions of the board of directors require the approval of more than half of all directors.

If a director is unable to attend a board meeting, he may appoint another director by a power of attorney specifying the scope of the authorization to attend the meeting on his behalf.

If a resolution of the board of directors violates the laws, administrative regulations or our company's articles of association as a result of which our company sustains serious losses, the directors participating in the resolution are liable to compensate our company. However, if it can be proven that a director expressly objected to the resolution when the resolution was voted on, and that such objections were recorded in the minutes of the meeting, such director may be relieved of that liability.

Under the Company Law, the following persons may not serve as a director of a company:

- (i) persons without civil capacity or with restricted civil capacity;
- (ii) persons who have committed the offense of corruption, bribery, taking of property, misappropriation of property or destruction of the social economic order, and have been sentenced to criminal punishment, where less than five years have elapsed since the date of completion of the sentence; or persons who have been deprived of their political rights due to criminal offense, where less than five years have elapsed since the date of the completion of implementation of this deprivation;
- (iii) persons who are former directors, factory managers or managers of a company or enterprise which has become bankrupt and been liquidated due to mismanagement and who are personally liable for the bankruptcy of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of our company or enterprise;
- (iv) persons who were legal representatives of a company or enterprise which had its business license revoked or business operation shut down due to violation of the law and who are personally liable, where less than three years have elapsed since the date of the revocation of the business license of our company or enterprise;
- (v) persons who have a relatively large amount of debt due and outstanding; or
- (vi) other circumstances under which a person is disqualified from acting as a director of a company are set out in the Mandatory Provisions (which have been incorporated in the Articles of Association, a summary of which is set out in the appendix headed “Appendix V – Summary of the Articles of Association” to this prospectus).

The board of directors shall appoint a chairman, who is elected with approval of more than half of all the directors. The chairman of the board of directors exercises, among others, the following powers:

- (i) to preside over general meetings and convene and preside over meetings of the board of directors; and
- (ii) to check on the implementation of the resolutions of the board of directors.

The legal representative of a company in accordance with the Mandatory Provisions, is the chairman. The Special Regulations provide that **directors, supervisors, managers and other senior management officers of a company shall bear fiduciary duties and the duty to act diligently**. They are required to faithfully perform their duties, protect the interests of our company and not to use their positions for their own benefit. The Mandatory Provisions (which have been incorporated into the Articles of Association, a summary of which is set out in the appendix headed “Appendix V – Summary of the Articles of Association” to this prospectus) contain further elaborations of such duties.

Supervisors

A company shall have a supervisory committee composed of not less than three members. Each term of office of a supervisor is three years and he may serve consecutive terms if re-elected. A supervisor shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a re-elected supervisor assumes office, if re-election is not conducted in a timely manner upon the expiry of his term of office or if the resignation of supervisor results in the number of supervisors being less than the quorum. The supervisory committee is made up of shareholders representatives and an appropriate proportion of our company's staff representatives; and the percentage of the number of our company's staff representatives shall not be less than one-third. Directors and senior management officers shall not act as supervisors.

Requirements in relation to the power of the supervisory committee under the Company Law are as follows:

- (i) to examine our company's financial affairs;
- (ii) to supervise the directors and senior management officers in their performance of their duties and to propose the removal of any director or senior management officer who violates the laws, regulations, articles of association or shareholders' resolution;
- (iii) to require any director or senior management officer whose act is detrimental to our company's interests to rectify such act;
- (iv) to propose the convening of extraordinary general meetings and, in the event that the board of directors fails to perform the duties of convening and presiding over general meetings to convene and preside over general meetings;
- (v) to propose any bills to general meetings;
- (vi) to commence any action against any directors or senior management officer; and
- (vii) other powers specified in our company's articles of association.

The circumstances under which a person is disqualified from being a director of a company described above apply mutates mutandis to supervisors of a company.

The Special Regulations provide that the directors and supervisors of a company shall have fiduciary duties. They are required to faithfully perform their duties, protect the interest of our company and not to use their positions for their own benefit.

Supervisors may be in attendance at board meetings and make enquiries or proposals in respect of board resolutions. The supervisory committee or (where there is no supervisory committee) the supervisors of a company may initiate investigations into any irregularities identified in the operation of our company and, where necessary, may engage an accountant to assist in their work. All expenses incurred by the supervisory committee to exercise their power shall be borne by our company.

Meetings of the supervisory committee shall be convened at least every six months. Interim meetings of the supervisory committee can be convened by the supervisors. Under the Company Law, resolutions of the supervisory committee require the approval of more than half of all supervisors. In accordance with the Letter Regarding Opinion on Supplementary Amendments to Articles of Association of Companies to be Listed in Hong Kong (《關於到香港上市公司對公司章程作補充修改的意見的函》) issued by the CSRC on April 3, 1995, resolutions made by the Supervisory Committee shall be approved by two thirds or above of the members of the Supervisory Committee. Each supervisor shall have one vote for resolutions to be approved by the supervisory committee. Minutes shall be prepared in respect of matters considered at the meeting of the supervisory committee and supervisors attending the meeting shall sign to endorse such minutes.

Managers and other Senior Management officers

A company shall have a manager who shall be appointed or removed by the board of directors. The manager is accountable to the board of directors and may exercise the following powers:

- (i) in charge of the production, operation and management of our company and arrange for the implementation of resolutions of the board of directors;
- (ii) arrange for the implementation of our company's annual business and investment plans;
- (iii) formulate plans for the establishment of our company's internal management structure;
- (iv) formulate the basic administration system of our company;
- (v) formulate our company's internal rules;
- (vi) recommend the appointment and dismissal of deputy managers and any financial officer and appoint or dismiss other senior management officers (other than those required to be appointed or dismissed by the board of directors);
- (vii) attend board meetings as a non-voting attendant; and
- (viii) other powers conferred by the board of directors or our company's articles of association.

The Special Regulations and the Mandatory Provisions provide that **other senior management officers of a company include the financial officer, secretary of the board of directors and other executives as specified in the article of association of our company.**

The circumstances under which a person is disqualified from being a director of a company also apply to managers and senior officers of our company.

The articles of association of a company shall have binding effect on the shareholders, directors, supervisors, managers and other senior management officers of our company. Such persons shall be entitled to exercise their rights, apply for arbitration and issue legal proceedings according to the articles of association of our company. The provisions of the Mandatory Provisions regarding senior management officers of a company have been incorporated in the Articles of Association, a summary of which is set out in the appendix headed “Appendix V – Summary of the Articles of Association” to this prospectus.

Duties of Directors, Supervisors and Senior Management officers

A director, supervisor and senior management officer of a company are required under the PRC Company Law to comply with the relevant laws, regulations and our company’s articles of association, carry out their duties honestly and protect the interests of our company. They are also prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating our company’s properties. Directors and senior management officers are prohibited from:

- (i) misappropriation of company funds;
- (ii) deposit of company funds into accounts under their own name or the name of other individuals;
- (iii) loaning company funds to others or providing guarantees in favor of others supported by our company properties in violation of the articles of association or without prior approval of the general meeting or board of directors;
- (iv) entering into contracts or deals with our company in violation of the articles of association or without prior approval of the general meeting or board of directors;
- (v) using their position to procure business opportunities for themselves or others that should have otherwise been available to our company or operating businesses similar to that of our company for their own benefits or on behalf of others without prior approval of the general meeting;
- (vi) accepting commissions for their own benefit from other parties dealing with our company;

(vii) unauthorised divulgence of confidential information of our company; or

(viii) other acts in violation of their duty of loyalty to our company.

A director, supervisor and senior management officer of a company is also under a duty of confidentiality to our company.

A director, supervisor and senior management officer who contravenes any law, regulation or our company's articles of association in the performance of his duties which results in any loss to our company shall be personally liable to our company.

The Special Regulations and the Mandatory Provisions provide that a director, supervisor and senior management officer of a company owe fiduciary duties to our company and are required to perform their duties faithfully and to protect the interests of our company and not to make use of their positions in our company for their own benefit.

Where the attendance of a director, supervisor and senior management officer is requested by the general meeting, such director, supervisor and senior management officer shall attend the meeting as requested and answer enquiries of shareholders. Directors and senior management officers shall furnish with all truthfulness facts and information to the supervisory committee without obstructing the discharge of duties by the supervisory committee.

A company shall not directly, or through its subsidiary, provide loans to any director, supervisor or senior management officer and shall regularly disclose to the shareholders any information regarding remunerations received by the directors, supervisors or senior management officer of our company.

Finance and Accounting

A company shall establish its financial and accounting systems according to laws, administrative regulations and the provisions of the competent financial department of the State Council and at the end of each financial year, prepare a financial report which shall be audited and verified as provided by law.

A company shall deposit its financial statements at our company for inspection by the shareholders at least 20 days before the convening of the annual general meeting. A company incorporated by public subscription must publish its financial statements.

The common reserve of a company comprises the statutory surplus reserve, the discretionary common reserve and the capital common reserve.

When distributing each year's after-tax profits, our company shall set aside 10% of its after-tax profits for our company's statutory surplus reserve (except where the reserve has reached 50% of our company's registered capital). After a company has made an allocation to its statutory common reserve from its after-tax profits, subject to a resolution of the general meeting, our company may make an allocation to a discretionary common reserve.

When our company's statutory surplus reserve is not sufficient to make up for our company's losses of the previous years, the current year profits shall be used to make up for the losses before allocations are set aside for the statutory surplus reserve.

After our company has made up for its losses and make allocations to its statutory surplus reserve, the remaining profits could be available for distribution to shareholder in proportion to the number of shares held by the shareholders except as otherwise provided in the articles of association of such company limited by shares.

The capital common reserve of a company is made up of the premium over the nominal value of the shares of our company on issue and other amounts required by the relevant governmental authority to be treated as the capital common reserve.

The common reserve of a company shall be applied for the following purposes:

- (i) to make up our company's losses other than the capital common reserve;
- (ii) to expand the business operations of our company; and
- (iii) to increase the registered capital of our company by the issue of new shares to shareholders in proportion to their existing shareholdings in our company or by increasing the nominal value of the shares currently held by the shareholders provided that if the statutory surplus reserve is converted into registered capital, the balance of the statutory surplus reserve after such conversion shall not be less than 25% of the registered capital of our company before such conversion.

Our company shall have no other accounting books except the statutory accounting books. Our company's assets shall not be deposited in any accounts opened in the name of an individual.

Appointment and Retirement of Auditors

The Special Regulations require a company to employ an independent PRC qualified accounting firm to audit our company's annual report and to review and check other financial reports.

The auditors are to be appointed for a term commencing from the close of an annual general meeting and ending at the close of the next annual general meeting.

If a company removes or ceases to continue to appoint the auditors, it is required by the Special Regulations to give prior notice to the auditors and the auditors are entitled to make representations before the shareholders in general meeting. The appointment, removal or non-reappointment of auditors shall be decided by shareholders at the general meetings and shall be filed with the CSRC for record.

Distribution of Profits

The Company Law provides that a company is restricted from distributing profits before accumulated losses have been made up and statutory common reserve have been drawn. The Special Regulations provide that the dividends and other distributions to be paid to holders of overseas listed foreign shares shall be declared and calculated in Renminbi and paid in foreign currency. Under the Mandatory Provisions, the payment of foreign currency to shareholders shall be made through a receiving agent.

Amendments to Articles of Association

Any amendments to our company's articles of association must be made in accordance with the procedures set forth in our company's articles of association. The amendment to articles of association involving content of the Mandatory Provisions will only be effective upon approval of the approving authority authorised by the State Council and the CSRC; where the amendments involve the registered particulars of our company, procedures for change of registration shall be completed with our company's registration authority.

Dissolution and Liquidation

Under the PRC Company Law, a company shall be dissolved in any of the following events:

- (i) the term of its operations set down in its articles of association has expired or events of dissolution specified in its articles of association have occurred;
- (ii) the shareholders in general meeting have resolved to dissolve our company;
- (iii) our company is dissolved by reason of its merger or division;
- (iv) the business license of our company is revoked or our company is ordered to close down or to be dissolved in accordance with the laws; or
- (v) our company is dissolved by a people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all shareholders of our company, on the grounds that the operation and management of our company has suffered serious difficulties that cannot be resolved through other means, rendering ongoing existence of our company a cause for significant losses to the shareholders.

Where our company is dissolved in the circumstances described in (i), (ii), (iv) and (v) above, a liquidation committee must be formed within 15 days after the occurrence of the cause of dissolution so as to carry out liquidation. Members of the liquidation committee shall be composed of directors or any other person determined by the general meeting.

If a liquidation committee is not established within the stipulated period, our company's creditors can apply to the people's court for its establishment.

The liquidation committee shall notify our company's creditors within ten days after its establishment, and issue a public notice in the newspapers within 60 days. A creditor shall lodge his claim with the liquidation committee within 30 days after receiving notification, or within 45 days of the public notice if he did not receive any notification. The liquidation committee shall exercise the following powers during the liquidation period:

- (i) to handle our company's assets and to prepare a balance sheet and an inventory of assets;
- (ii) to notify creditors or issue public notices;
- (iii) to deal with and settle any outstanding business of relevant company;
- (iv) to pay any tax overdue;
- (v) to settle our company's financial claims and liabilities;
- (vi) to handle the remaining assets of our company after its debts have been paid off; and
- (vii) to represent our company in civil lawsuits.

If our company's assets are sufficient to meet its liabilities, they shall be applied towards the payment of the liquidation expenses, wages owed to the employees and labor insurance expenses, tax overdue and debts of our company. Any remaining assets shall be distributed to the shareholders of our company in proportion to the number of shares held by them.

During the liquidation period, a company shall not engage in operating activities unrelated to the liquidation.

If the liquidation committee becomes aware that our company does not have sufficient assets to meet its liabilities, it must immediately apply to the people's court for a declaration of insolvency according to the laws. Following such declaration of insolvency by the people's court, the liquidation committee shall hand over all affairs of the liquidation to the people's court.

Upon completion of the liquidation, the liquidation committee shall submit a liquidation report to the general meeting or the people's court for confirmation. Thereafter, the report shall be submitted to our company's registration authority in order to cancel our company's registration, and a public notice of its termination shall be issued.

Members of the liquidation committee are required to discharge their duties honestly and in compliance with relevant laws. A member of liquidation committee is liable to indemnify our company and its creditors in respect of any loss arising from his willful or material default.

Loss of Share Certificates

A shareholder may apply, in accordance with the relevant provisions set out in the PRC Civil Procedure Law, to a people's court in the event that share certificates in registered form are either stolen or lost, for a declaration that such certificates will no longer be valid. After such a declaration has been obtained, the shareholder may apply to our company for the issue of replacement certificates.

The Mandatory Provisions provide for a separate procedure regarding loss of H share certificates (which has been incorporated in the Articles of Association, a summary of which is set out in "Appendix V – Summary of Articles of Association.")

Merger and Division

Companies may merge through merger by absorption or through the establishment of a newly merged entity. If it merges by absorption, our company which is absorbed shall be dissolved. If it merges by forming a new corporation, both companies will be dissolved.

As for a corporate merger, the merging parties shall sign an agreement and formulate a balance sheet and an inventory of assets. The companies involved shall, within 10 days after the date of passing the resolution approving the merger, notify the creditors, and shall make a public announcement in a newspaper within 30 days. The creditors may, within 30 days after the receipt of the notification or within 45 days after the date of the public announcement if it fails to receive the notification, require our company to settle any outstanding debts or to provide corresponding guarantees. In the case of a merger, the credits and debts of the merging parties shall be assumed by our company that survives the merger or by the newly established company.

As for the division of a company, the assets thereof shall be divided accordingly, and a balance sheet and an inventory of assets shall be prepared. Our company shall, within 10 days after the date of passing the resolution approving the division, notify the creditors and make a public announcement in a newspaper within 30 days. The debts of our company which have accrued prior to the division shall be jointly assumed by the companies which exist after the division, unless it is otherwise prescribed by our company and the creditors before the division with regard to the settlement of such debts in the written agreement.

Overseas Listing

The shares of a company shall only be listed overseas after obtaining approval from the securities regulatory authority of the State Council and the listing must be arranged in accordance with procedures specified by the State Council.

According to the Special Regulations, a company's plan to issue overseas listed foreign shares and domestic shares which has been approved by the securities regulatory authority of the State Council may be implemented by the board of directors of a company by way of separate issues, within 15 months after approval is obtained from the CSRC.

SECURITIES LAW AND REGULATIONS

The PRC has promulgated a number of regulations related to the issue and trading of the shares and disclosure of information. CSRC is the securities supervising body in China responsible for formulating securities policies, drafting of securities regulatory provisions, supervising securities markets, market agents and participants, regulating public offers for sale of securities by PRC companies in the PRC or overseas, and regulating the trading of securities.

The Securities Law of the PRC (the "Securities Law") came into force on July 1, 1999, and was last amended on December 28, 2019 and became effective on March 1, 2020. This is the first national securities law in the PRC, and it is divided into 14 chapters and 226 articles regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities. The PRC Securities Law comprehensively regulates activities in the PRC securities market. Article 224 of the PRC Securities Law provides that a domestic enterprise issuing securities overseas, directly or indirectly, or having its securities listed or traded overseas, shall comply with the relevant regulations of the State Council. Article 225 of the PRC Securities Law provides that specific provisions in respect of shares of companies in the PRC which are to be subscribed and traded in foreign currencies shall be separately formulated by the State Council. Currently, the issue of foreign issued shares (including H Shares) is still mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The Arbitration Law of the PRC (《中華人民共和國的仲裁法》, the "Arbitration Law") was passed by the Standing Committee of the National People's Congress on August 31, 1994, last amended on September 1, 2017 and came into effect on January 1, 2018. It is applicable to contract disputes and other property disputes between natural persons, legal persons and other organizations where the parties have entered into a written agreement to refer the matter to arbitration before an arbitration committee constituted in accordance with the Arbitration Law. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate provisional arbitration rules in accordance with the Arbitration Law and the Civil Procedure Law. Where the parties have by agreement provided arbitration as the method for dispute resolution, the people's court will refuse to handle the case.

The Hong Kong Listing Rules and the Mandatory Provisions require an arbitration clause to be included in the articles of association and, in the case of the Hong Kong Listing Rules, also in a company's contracts with each of the directors and supervisors, to the effect that whenever any disputes or claims arise between holders of the H shares and our company; holders of the H shares and the directors, supervisors or senior management officers; or holders of the shares, in respect of any disputes or claims in relation to our affairs or as a result of any rights or obligations arising under the articles of association, the Company Law or other relevant laws and administrative regulations, such disputes or claims shall be referred to arbitration.

Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, if they are shareholders, directors, supervisors, senior management officers of our company, shall be subject to the arbitration. Disputes in respect of who is the shareholder and disputes in relation to our register of members need not be resolved by arbitration.

A claimant may elect for arbitration to be carried out at either the China International Economic and Trade Arbitration Commission ("CIETAC") in accordance with its rules or the Hong Kong International Arbitration Centre ("HKIAC") in accordance with its securities arbitration rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant. If the claimant elects for arbitration to be carried out at the HKIAC, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the securities arbitration rules of the HKIAC.

Under the Arbitration Law and the PRC Civil Procedure Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration commission if there is any procedural or membership irregularity specified by law or the award exceeds the scope of the arbitration agreement or is outside the jurisdiction of the arbitration commission.

A party seeking to enforce an arbitral award of PRC arbitration panel against a party who, or whose property, is not within the PRC, may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognised and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC. The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (《承認及執行外國仲裁裁決公約》) (the "New York Convention") adopted on June 10, 1958 pursuant to a resolution of the Standing Committee of the National People's Congress passed on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognised and enforced by other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances,

including where the enforcement of the arbitral award is against the public policy of the State to which the application for enforcement is made. It was declared by the Standing Committee of the National People's Congress simultaneously with the accession of the PRC that (i) the PRC will only recognize and enforce foreign arbitral awards on the principle of reciprocity and (ii) the PRC will only apply the New York Convention in disputes considered under PRC laws to arise from contractual and non-contractual mercantile legal relations.

In June 1999, an arrangement was made between Hong Kong and the Supreme People's Court of the PRC for the mutual enforcement of arbitral awards. This new arrangement was approved by the Supreme People's Court of the PRC and the Hong Kong Legislative Council, and became effective on February 1, 2000. The arrangement is made in accordance with the spirit of the New York Convention. Under the arrangement, awards made by PRC arbitration bodies pursuant to the Arbitration Law can be enforced in Hong Kong. Hong Kong arbitral awards pursuant to the Arbitration Ordinance of Hong Kong are also enforceable in the PRC. On November 26, 2020, the Supreme People's Court of the PRC issued the Supplemental Arrangement Concerning Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region(《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的補充安排》, the "Supplemental Arrangement"), among which, Article 1 and Article 4 of the Supplemental Arrangement were implemented on November 27, 2020, and Article 2 and Article 3 thereof were implemented on May 19, 2021.

ESTABLISHMENT OF OVERSEAS OPERATIONS RULES AND REGULATIONS

According to the Provisions for Overseas Investment Management (《境外投資管理辦法》) which was promulgated by MOFCOM and took effective on October 6, 2014, and the Provisions on the Foreign Exchange Administration of Overseas Investment of Domestic Institutions (《境內機構境外直接投資外匯管理規定》) which was issued by SAFE and became effective on August 1, 2009, upon obtaining approval from the commerce authority to establish enterprises overseas, PRC enterprises shall apply for foreign exchange registration for overseas investments.

According to the Administrative Measures for Overseas Investment by Enterprises (《企業境外投資管理辦法》) which was promulgated by the NDRC and became effective on March 1, 2018, the investment activities in which a domestic enterprise of the PRC obtains ownership, right of control, operation and management rights and other relevant interests overseas directly or through its controlled overseas enterprise by way of investing assets and equities or providing financing and guarantee are subject to obtaining the approval from and filing with the NDRC or its provincial authorities according to the relevant conditions of the overseas investment projects.

Set out herein is a summary of the Articles of Association for the main purpose of providing an overview of the Articles of Association to potential investors. As the information contained herein is only a summary, it may not contain all the information that is important to potential investors.

GENERAL

Our Company is a joint stock limited company in perpetual existence.

The Articles of Association shall, from the date when it comes into force, constitute a legally binding document regulating the organization and activities of our Company, the rights and obligations between our Company and each Shareholder and among the Shareholders, and shall be binding on our Company and its Shareholders, Directors, Supervisors, general manager and other senior management officers.

SHARES AND REGISTERED CAPITAL

Our Company shall have ordinary shares at all times. Our Company may according to its needs create shares of other classes upon approval of the approving authority authorised by the State Council.

The stock of our Company shall take the form of shares. All shares issued by our Company shall have a par value denominated in Renminbi, with each share having a par value of RMB1.

Our Company shall issue shares under the principles of openness, fairness and equality and shares of the same class shall carry same rights. The issuance conditions and price per share of the same class in the same issuance shall be the same; the same price shall be paid for each share of the same class in the same issuance subscribed for by any entities or individuals.

Domestic shares and overseas listed foreign shares issued by our Company shall have the same right in any distribution in the form of dividend or any other forms. Our Company shall not exercise any right to freeze or otherwise impair any of the rights attached to any shares only on the ground that the person who is interested directly or indirectly therein has failed to disclose his interests to our Company.

Our Company may offer its shares to both domestic and foreign investors with the approval of the competent securities regulatory authority under the State Council. The shares issued by our Company to domestic investors for subscription in Renminbi shall be referred to as domestic shares. The shares issued by our Company to overseas investors for subscription in foreign currency shall be referred to as foreign shares. Foreign shares listed overseas shall be referred to as overseas listed foreign shares. Shareholders of both domestic shares and foreign shares are ordinary shareholders and shall have the same rights and obligations.

INCREASE, REDUCTION AND REPURCHASE OF SHARES

Our Company may increase or reduce its registered capital according to law upon resolutions being passed at the general meetings.

Capital Increase

Our Company may, based on its business and development needs and in accordance with laws and regulations, increase its registered capital in the following manners upon respective resolutions being adopted at the general meetings:

- (I) by public offering of shares;
- (II) by non-public offering of shares;
- (III) by placing new shares to its existing Shareholders;
- (IV) by allotting bonus shares to its existing Shareholders;
- (V) by capitalizing its capital common reserve;
- (VI) by any other means which is permitted by laws and administrative regulations.

Our Company may dispose of the shares of any untraceable Shareholder and retain the proceeds, if:

- (I) during a period of 12 years at least three times dividends in respect of the shares in question have become payable and no dividend during that period has been received by Shareholders; and
- (II) on expiry of the 12 years, our Company shall give notice of its intention to sell the shares by way of an advertisement in newspapers upon approval from the securities regulatory authority of the State Council, and notify such authority and relevant overseas stock exchanges and securities regulatory authorities where our shares are listed of such intention.

Capital Reduction

Our Company may reduce its registered capital in accordance with the procedures provided in the Company Law and other relevant requirements and the Articles of Association.

Repurchase of Shares

Our Company may not repurchase the shares of our Company, except in any of the following situations:

- (I) its registered capital is reduced;
- (II) merging with another company that holds shares of our Company;
- (III) the shares are used for the employee share scheme or equity incentives;
- (IV) when requested by any Shareholder to purchase his shares because this Shareholder objects to any resolution of merger or division made by our Company at general meetings;
- (V) the shares are used for conversion of convertible corporate bonds issued by the listed company;
- (VI) any necessary action is taken to protect the value of the listed company and shareholders' interests;
- (VII) other circumstances permitted by laws, administrative regulations or regulatory authorities.

If our Company repurchases its own shares under the circumstances set out in items (1) and (2) of the preceding paragraph, resolutions related thereto shall be adopted at a general meeting. If our Company repurchases its own shares under the circumstances set out in items (3), (5) and (6) of the preceding paragraph, resolutions related thereto shall be adopted at the meeting of Board of Directors with more than two-thirds of the Directors attending in accordance with the Articles of Association or a mandate by the general meeting.

If our Company repurchases its own shares in accordance with paragraph one under the circumstances set forth in item (1), the shares so repurchased shall be cancelled within 10 days of the repurchase and shall proceed to register the change in the registered capital with the competent administration for industry and commerce; in the event of the circumstances set forth in items (2) and (4), the shares so repurchased shall be transferred or cancelled within 6 months; in the event of the circumstances set forth in items (3), (5) and (6), the repurchase shall be carried out through open and centralised transactions, the aggregate number of shares of our Company held by itself shall not exceed 10% of its total shares in issue, and the shares so repurchased shall be transferred or cancelled within three years.

The aggregate par value of the cancelled shares shall be deducted from our Company's registered capital.

Our Company may repurchase its shares in one of the following manners with the approval from relevant national competent authorities:

- (I) by making a general offer for the repurchase of shares to all its Shareholders on a pro-rata basis;
- (II) by repurchasing shares through public dealing on a stock exchange;
- (III) by repurchasing shares by means of an off-market agreement; or
- (IV) in other circumstances permitted by laws, administrative regulations and regulatory authorities.

Our Company must obtain the prior approval of the Shareholders at a general meeting in accordance with the Articles of Association before it can repurchase shares by means of an off-market agreement. Our Company may, upon the prior approval of the Shareholders at a general meeting, release or vary any contract which has been entered into by our Company in a manner set forth above, or waive its rights thereunder.

The agreement for the repurchase of shares referred to in the preceding paragraph includes, but not limited to, an agreement to assume the obligations of repurchasing shares or acquire the rights of repurchasing shares.

Our Company may not assign an agreement for the repurchase of its shares or any right contained in such agreement.

For the purpose of the redeemable shares which our Company has the right to repurchase, the repurchase prices shall be limited to a certain maximum price if they are not repurchased through the market or by tender. In case of repurchase by tender, tenders shall be offered to all Shareholders on equal conditions and a relevant announcement shall be made.

FINANCIAL ASSISTANCE FOR THE ACQUISITION OF OUR COMPANY'S SHARES

Our Company or its subsidiaries shall not, by any means at any time, provide any kind of financial assistance to a person who is acquiring or is proposing to acquire shares of our Company. The said acquirer of shares includes a person who directly or indirectly incurs any obligations due to the acquisition of shares of our Company.

Our Company or its subsidiaries shall not, by any means at any time, provide financial assistance to the said acquirer for the purpose of reducing or discharging the obligations assumed by that person.

This Article shall not apply to the circumstances referred to in Article 39 in the Articles of Association.

SHARE CERTIFICATES AND REGISTER OF MEMBERS**Share Certificates**

The share certificates of our Company shall be in registered form.

In addition to those provided in the Company Law, a share certificate of our Company shall contain any other items required to be specified by the stock exchange on which the shares of our Company are listed.

Register Of Members

Our Company shall keep a register of members which shall contain the following particulars:

- (I) the name, address (place of domicile), occupation or nature of business of each shareholder;
- (II) the class and number of shares held by each shareholder;
- (III) the amount paid-up or payable in respect of shares held by each shareholder;
- (IV) the share certificate numbers of the shares held by each shareholder;
- (V) the date on which each shareholder was entered in the register as a shareholder; and
- (VI) the date on which any shareholder ceased to be a shareholder.

Unless there is evidence to the contrary, the register of members shall be the sufficient evidence of the Shareholders' shareholding in our Company.

Subject to the Articles of Association and other applicable requirements, upon transfer of our Company's shares, the transferees of the shares will become the holders of such shares with their names being entered in the register of members.

All instruments of transfer and other documents related to the ownership of any H shares or affecting the ownership of any H shares shall be registered. If any fees are charged in respect of such registration, such fees shall not exceed the highest fees as prescribed by the Stock Exchange.

Where two or more than two persons are registered as joint holders of any shares, they should be deemed as joint owners of such shares and subject to the following restrictions:

- (I) our Company shall register no more than four persons as the joint holders of any shares;
- (II) all joint holders of any shares shall jointly and severally assume obligation for all amounts payable for relevant shares;

(III) if one of the joint holders dies, only the surviving joint holders shall be deemed by our Company to be such persons as having the ownership of the relevant shares. The Board shall have the right, for the purpose of making amendments to the register of members, to demand a death certificate of the relevant shareholder where it deems appropriate to do so; and

(IV) for joint holders of any shares, any of joint holders may attend a general meeting of our Company or exercise the voting rights of the shares (regardless of attendance in person or by proxy). In case more than one joint holder attends the general meeting in person or by proxy, only the attender whose name appears first in the register of members among such joint holders is entitled to vote for such shares.

The shares of our Company held by promoters may not be transferred within one year after our Company's establishment. The shares of our Company issued before the initial public offering shall not be transferred within one year since the listing and trading of our Company's shares on the stock exchange(s).

The Directors, Supervisors and senior management officers of our Company shall report to our Company the number of shares held by them in our Company and the subsequent changes in their shareholdings. The number of shares which such persons may transfer every year during their terms of office shall not exceed 25% of the total number of our Company's shares in his or her possession. Such personnel shall not transfer our Company's shares in their possession within half year after they have terminated their employment with our Company.

If the transfer restriction involves H shares, then the relevant provisions of the Listing Rules of the Stock Exchange shall apply.

Upon obtaining approval from the competent securities regulatory authority of the State Council, shareholders of domestic shares of our Company can transfer their shares to foreign investors, and trade on an overseas stock exchange. All or part of the domestic shares may be converted into foreign shares, and the foreign shares so converted may be listed and traded on an overseas stock exchange. When transferred or converted shares are listed and traded on an overseas stock exchange, the shares are subject to the supervision procedures, regulations and requirements of the overseas stock exchange. No general meeting or class meeting is required to be held to vote for the listing and trading of the transferred shares on an overseas stock exchange or the conversion of domestic shares into foreign shares and the listing and trading of such shares on an overseas stock exchange. After the conversion of domestic shares into overseas-listed foreign shares, it shall be in the same class of shares as the original overseas-listed foreign shares.

SHAREHOLDERS' RIGHTS AND OBLIGATIONS**Shareholders**

A Shareholder of our Company is a person who lawfully holds shares of our Company and has his name recorded in the register of members.

A Shareholder of our Company shall enjoy the relevant rights and assume the relevant obligations in accordance with the class and number of shares he holds. Shareholders holding the same class of shares shall enjoy the same rights and assume the same obligations.

All classes of Shareholders of our Company shall have equal rights in any distribution in the form of a dividend or any other forms.

Where legal persons become Shareholders of our Company, their legal representatives or nominees of their legal representatives shall exercise relevant rights on their behalf.

Our Company shall not exercise its rights to freeze or otherwise impair any of the rights attached to the shares based on the ground that the person who is interested directly or indirectly therein has failed to disclose his interests to our Company.

Rights and Obligations of Shareholders

The ordinary shareholders of our Company shall enjoy the following rights:

- (I) the right to receive dividends and other distributions in proportion to their shareholdings;
- (II) the right to request, convene, chair, attend or appoint a proxy to attend general meetings and to exercise corresponding voting rights in accordance with laws;
- (III) the right to supervise our Company's operations, to present proposals or to raise enquires;
- (IV) the right to transfer, bestow or pledge the shares held by them in accordance with laws, administrative regulations and the Articles of Association;

(V) the right to obtain relevant information in accordance with the Articles of Association, including:

1. the right to obtain a copy of the Articles of Association, subject to payment of cost;
2. the right to inspect and copy, subject to payment of a reasonable charge:
 - (1) all parts of the register of members;
 - (2) personal particulars of each of our Company's Directors, Supervisors and senior management officers, including (i) present and former name or alias; (ii) principal address (place of residence); (iii) nationality; (iv) full-time and all other part-time occupations and duties; (v) identification document and its number;
 - (3) reports on the status of our Company's issued share capital;
 - (4) latest audited financial statements of our Company and the reports of the Board of Directors, auditors and the Supervisory Committee;
 - (5) special resolutions of our Company;
 - (6) reports showing the number and par value of each class of shares repurchased by our Company since the last fiscal year, total amount paid therefor, and the highest and lowest prices paid for each class of securities repurchased (breakdown by domestic shares and foreign shares);
 - (7) minutes of general meetings;
 - (8) counterfoils of corporate bonds, resolutions of the Board of Directors and the Supervisory Committee;
 - (9) annual report/inspection form of the previous year that has been filed with the Administration for Market Regulation or other competent authorities.

The above documents of items (3), (4), (5), (6) and (9) shall be published by our Company on the websites of the Stock Exchange and our Company.

The above documents of item (1) and (7) and other applicable documents shall be kept by our Company, according to the requirements of the Listing Rules of the Stock Exchange, at a place in Hong Kong for inspection by shareholders free of charge, and for copying by shareholders at reasonable charges.

If the information to be inspected and photocopied involves trade secrets or inside information of our Company and the personal privacy of relevant personnel, our Company may refuse to provide the same;

- (VI) in the event of the termination or liquidation of our Company, to participate in the distribution of remaining assets of our Company in accordance with the shareholdings;
- (VII) with respect to shareholders who vote against any resolution adopted at the general meeting on the merger or division of our Company, the right to demand our Company to buy back their shares;
- (VIII) shareholders who individually or collectively hold more than 3% of our Company's shares shall have the rights to propose interim resolutions and submit them in writing to the Board of Directors 10 days prior to the general meeting;
- (IX) other rights conferred by the laws, administrative regulations, departmental rules and the Articles of Association.

When a Shareholder requests to inspect the relevant information mentioned in the preceding Article or obtain such materials, he shall provide our Company with such written documents evidencing the class and amount of his shareholding in our Company. Our Company may provide such information per the Shareholder's request after verifying his identity. Shareholders shall keep the confidentiality of the information and materials to be inspected.

If a Director or any other senior management officer has violated the laws, administrative regulations or the Articles of Association in the course of performing his duties to our Company, and thereby caused our Company to incur a loss, Shareholders individually or jointly holding 1% or more of our Company's shares for more than 180 consecutive days may request in writing the Supervisory Committee to initiate proceedings in the people's court in respect thereof. If the Supervisory Committee has violated the laws, administrative regulations or the Articles of Association in the course of performing its duties to our Company, and thereby caused our Company to incur a loss, Shareholders may request in writing the Board of Directors to initiate proceedings in the people's court in respect thereof.

If the Supervisory Committee or the Board of Directors refuses to initiate proceedings after receipt of a written request from the Shareholders as mentioned in the preceding paragraph, or fails to initiate proceedings within 30 days of the date of receipt of the request, or under urgent circumstances where failure to promptly initiate proceedings would cause irreparable harm to our Company's interests, the Shareholders mentioned in the preceding paragraph are entitled to directly initiate proceedings in the people's court in their own name in the interests of our Company.

If any third party infringes the lawful rights of our Company and has caused a loss to our Company, the Shareholders mentioned in the first paragraph of this Article may initiate proceedings in the people's court according to the provisions of the two preceding paragraphs.

If a Director and any other senior management officer violates laws, administrative regulations or the Articles of Association and prejudices the interests of the Shareholders of our Company, the Shareholders may initiate proceedings in the people's court in respect thereof.

The shareholders of ordinary shares of our Company shall assume the following obligations:

- (I) to comply with the laws, administrative regulations and Articles of Association;
- (II) to pay subscription monies according to the number of shares subscribed and the method of subscription;
- (III) be liable to our Company to the extent of the shares held by the shareholders;
- (IV) not to withdraw their capital contribution after approval and registration by our Company, except under the circumstances as stipulated in laws and regulations;
- (V) not to abuse their shareholders' rights to harm our Company's or other shareholders' interests; not to abuse the status of our Company as an independent legal person or the limited liability of shareholders to harm the interests of our Company's creditors. If any shareholder abuses the shareholders' rights and causes losses to our Company or other shareholders, such shareholder shall be held liable for damages in accordance with laws. If any shareholder abuses the status of our Company as an independent legal person or his limited liability as a shareholder to evade debts and thereby seriously harms the interests of our Company's creditors, such shareholder shall bear joint and several liability for the debts of our Company;
- (VI) other obligations imposed by laws, administrative regulations and the Articles of Association.

In addition to the obligations imposed by laws and administrative regulations or required by the listing rules of the stock exchange on which our Company's shares are listed, a controlling shareholder shall not exercise his voting rights in respect of the following matters in a manner prejudicial to the interests of all or part of the Shareholders of our Company:

- (I) to relieve a Director or Supervisor of his duty to act honestly in the best interests of our Company;
- (II) to approve the expropriation by a Director or Supervisor (for his own benefit or for the benefit of another person) of our Company's assets in any way, including (without limitation) opportunities which are beneficial to our Company;

- (III) to approve the expropriation by a Director or Supervisor (for his own benefit or for the benefit of another person) of the individual rights of other shareholders, including (without limitation) rights to distributions and voting rights (save for our company restructuring which has been approved by the shareholders in a general meeting in accordance with the Articles of Association).

Where a Shareholder who holds 5% or more of the voting shares of our Company pledges the shares he holds, such Shareholder shall report in writing to our Company on the date on which the pledge happens.

The controlling shareholder and the de facto controller of our Company shall not take advantage of their affiliated relationship to harm the interests of our Company, and shall be held liable for damages if they cause any loss to our Company in violation of the preceding provisions.

“Controlling shareholder” referred to in the Articles of Association means a person who satisfies one of the following conditions:

- (I) a person who, acting alone or in concert with others, has the power to elect more than half members of the Board of Directors;
- (II) a person who, acting alone or in concert with others, has the power to exercise 30% or more of the voting right of our Company or control the exercise of 30% or more of the voting right of our Company;
- (III) a person who, acting alone or in concert with others, holds 30% or more of the outstanding shares of our Company;
- (IV) a person who, acting alone or in concert with others, has de facto control of our Company by any other means.

The phrase “acting in concert” referred to in this Article means two or more persons reaching an agreement (either orally or in writing), pursuant to which any one of them shall obtain voting rights of our Company for control or consolidation of control over our Company.

GENERAL MEETINGS

General Provisions for General Meetings

The general meeting of our Company is the organ of authority of our Company, which is comprised of all Shareholders of our Company. The general meeting shall exercise its powers in accordance with the laws, administrative regulations and the Articles of Association.

The general meeting shall exercise the following functions and powers:

- (I) to decide the business operation guidelines and investment plans for our Company;
- (II) to elect and change Directors and Supervisors who are not employees' representatives, and decide on the remunerations of Directors and Supervisors;
- (III) to consider and approve reports of the Board of Directors and the Supervisory Committee;
- (IV) to consider and approve the annual financial budgets and final accounting proposals of our Company;
- (V) to consider and approve our Company's profit distribution plans and loss recovery plans;
- (VI) to resolve on the increase or reduction of the registered capital of our Company;
- (VII) to resolve on the issuance of bonds of our Company;
- (VIII) to resolve on matters such as the merger, division, dissolution, liquidation or change in the form of our Company;
- (IX) to amend the Articles of Association;
- (X) to determine the appointment, dismissal or non-reappointment of accounting firms;
- (XI) to consider proposals raised by shareholders who represent 3% or more of the total number of voting shares of our Company;
- (XII) to consider matters relating to the purchase and disposal of material assets by our Company, within one year and with value exceeding 30% of the latest audited total assets of our Company;
- (XIII) to consider share incentive schemes;
- (XIV) other matters required to be resolved by the general meeting pursuant to laws, administrative regulations and the Articles of Association;
- (XV) other matters required by the listing rules of the stock exchange where the shares of our Company are listed.

The abovementioned functions and powers of the general meeting may not be exercised by the Board of Directors or other bodies and individuals on its behalf by delegation.

The guarantee offered by our Company to a shareholder or de facto controller of our Company shall be resolved by the general meeting.

When the general meeting is considering a proposal to provide guarantee for any shareholder, de facto controller and its affiliates, such shareholder or the shareholder controlled by the de facto controller shall abstain from voting on the proposal, and the proposal shall be subject to approval by more than half of the voting rights of the other shareholders attending the general meeting.

If any Director, general manager or other senior management officer violates the approval authority and review procedures on external guarantees specified in the laws, administrative regulations or the Articles of Association, the aforesaid person shall be liable for compensating our Company for any loss incurred thereto, and our Company may pursue action against the said person pursuant to law.

Our Company shall not enter into contracts with a party (other than a Director, Supervisor, the general manager and other senior management officer) in relation to handover of the administration of all business or the important business of our Company to that party without prior approval of the general meeting by special resolution.

General meetings consist of annual general meetings and extraordinary general meetings. The annual general meeting shall be held once every year within six months after the end of the previous financial year. Our Company shall convene an extraordinary general meeting within two months upon occurrence of the following events:

- (I) when the number of Directors is less than the statutory minimum number stipulated in the Company Law or two thirds of the number specified by the Articles of Association;
- (II) the unrecovered losses of our Company amount to one third of the total amount of its paid-up share capital;
- (III) when any shareholder severally or jointly holding 10% or more of the total voting shares of our Company requests in writing;
- (IV) the Board of Directors considers it necessary;
- (V) the Supervisory Committee proposes to convene such meeting;
- (VI) two or more Independent Directors propose to convene such meeting;
- (VII) any other circumstances stipulated in the laws, administrative regulations, departmental rules or the Articles of Association.

Convening of General Meeting

For a Shareholder request to convene an extraordinary general meeting or a class meeting, the following procedures should be adopted:

Two or more shareholders holding 10% or more of our Company's shares, either individually or jointly, with voting rights in such proposed meeting, may sign one or several written requests with the same format and content and submit to the Board to request convening an extraordinary general meeting or a class meeting and explain the agenda for the meeting. The Board shall deliver written reply stating its agreement or disagreement for convening such extraordinary general meeting or class meeting as soon as possible upon receipt of the proposal. The number of shares for purpose of this paragraph shall be the number of shares held on the date on which the Shareholders put forward the written request.

Should the Board fail to issue a notice of such a meeting within 30 days from the date of receipt of the requisition(s), the Shareholders may submit in writing to the Supervisory Committee and convene an extraordinary general meeting or class meeting.

Should the Supervisory Committee fail to deliver the notice for convening a general meeting within 30 days from the date of receipt of the abovementioned notice, it shall be deemed to fail to convene and chair such general meeting and Shareholders who hold more than 10% or more of the shares with voting rights on such meeting to be convened, either individually or jointly, for a consecutive period of more than ninety days may convene on their own, and chair the meeting within 4 months of the receipt of the request by the Board. The procedures for convening shall be the same, to the greatest possible extent, as those for convening a general meeting by the Board.

Our Company shall be responsible for the reasonable fees incurred by the Shareholders in convening an extraordinary general meeting due to the failure of the Board to convene the meeting. Our Company shall deduct such fees from the amount owed by our Company to the Directors and Supervisors who have neglected their duties.

Proposals and Notices of General Meeting

When our Company convenes a general meeting, Shareholders holding 3% or more of our Company's voting shares shall have the right to put forward new proposals in writing to our Company and submit the same to the convener of a general meeting ten days prior to the meeting. The convener shall issue a supplementary notice of the general meeting within 2 days after receipt thereof, notify other Shareholders, and include the proposed matters which are within the power of the general meeting as matters to be considered at the general meeting.

When our Company convenes a general meeting, it shall notify Shareholders the date and the place and the matters to be considered 20 days prior to the meeting. For an extraordinary general meeting, our Company shall notify Shareholders 15 days prior to the meeting. A notice given in respect of this article shall be given on the date on which our Company or the share registry appointed by our Company serves the notice on the postal authority for posting.

Unless otherwise provided in the Articles of Association, the notice of the general meeting shall be served on each Shareholder, whether or not entitled to vote thereat, by personal delivery or prepaid mail to the Shareholder at his/her address, as shown in the register of members. For holders of domestic shares, notices of the general meetings may be given by public announcement.

The public announcement referred to in the preceding paragraph shall be published in one or more newspapers designated by the securities authority of the State Council within the time limit specified in the first paragraph of this Article before the meeting is convened. Upon the publication of the announcement, all holders of domestic shares shall be deemed to have received the notice of the relevant general meeting.

The notice of the general meeting to the holders of overseas-listed foreign shares may be published through the websites of the Hong Kong Stock Exchange and our Company. Upon the publication of the announcement, all holders of overseas-listed foreign shares shall be deemed to have received the notice of the relevant general meeting.

A general meeting shall not make resolutions on matters not stated in the notice mentioned in the Article 75 and 76 of the Articles of the Associations.

Convening the General Meeting

The chairman of the Board shall preside as the chairman in the meeting convened by the Board. If the chairman of the Board cannot or fails to fulfill the duty thereof, the meeting shall be chaired by the Director elected by more than half of the Directors. If no chairman has been designated, the Shareholders attending the meeting may elect a person to act as the chairman; if failing such election for whatever reasons, the Shareholder with the greatest number of voting shares present at the meeting, whether in person or by proxy (except for recognised clearing houses and their agents), shall act as the chairman.

If the Board cannot or fails to fulfill the obligation to convene general meetings and the Supervisory Committee may in time convene and preside over the meeting on its own; if Supervisory Committee cannot or fails to convene or preside over the meeting, Shareholders (individually or jointly) holding not less than 10% for consecutive 90 days or more, may themselves convene such a meeting.

In the event that the general meeting is convened by the Supervisory Committee, the meeting shall be presided by the chairman of the Supervisory Committee. Should the chairman of the Supervisory Committee be unable to perform or fail to perform his/her duties, the meeting shall be chaired by the Supervisor elected by more than half of the Supervisors.

In the meeting convened by Shareholders (individually or jointly) holding not less than 10% for consecutive 90 days or more, the convenor shall nominate a representative to chair the meeting.

When a general meeting is convened and in the event that the moderator of the meeting violates the rules of procedure causing the general meeting unable to be continued, a person may be elected as moderator to carry on with the meeting with the consent of Shareholders with more than half of the voting rights attending the general meeting. If, for any reason, the attending Shareholders fail to elect one to be the chairman, the attending Shareholder (or his/her proxy) who holds the most voting shares shall be the chairman of the meeting.

Voting and Resolutions of General meetings

Resolutions of general meeting can be classified into ordinary resolutions and special resolutions.

An ordinary resolution of a general meeting shall be passed with the adoption of Shareholders (including proxies) being present who represent more than half of the voting rights of the Shareholders (including proxies) being present.

A special resolution of a general meeting shall be passed with the adoption of Shareholders (including proxies) being present who represent more than two-thirds of the voting rights of the Shareholders (including proxies) being present.

Shareholders (including their proxies) attending the general meeting of the general meeting shall clearly vote for or against such resolution. If a Shareholder or his proxy casts abstention vote or abstains from voting, his vote shall not be counted in the voting results of our Company.

Shareholders (including proxies) shall exercise their voting rights at a general meeting based on the number of voting shares they represent, with one vote for each share. However, our Company's shares held by our Company have no voting right and such shares are not counted into the total number of voting shares of all the Shareholders present at the meeting.

Where any Shareholder is, under the applicable laws and regulations and the Listing Rules of the Hong Kong Stock Exchange, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such Shareholder in contravention of such requirement or restriction shall not be counted.

Except for proposals in relation to procedural and administrative matters of the general meeting which can be voted upon by a show of hands as decided by the meeting chair in good faith, any voting at the general meeting shall be conducted by a poll.

A poll demanded on such matters as the election of chairman or the adjournment of the meeting shall be taken immediately. A poll demanded on any other matter shall be taken at such time as the chairman deems appropriate, and the meeting may proceed to discuss other matters. The results of the poll to be taken shall still be deemed to be a resolution passed at that meeting.

Shareholders who attend the meeting shall take one of the following stances when a proposal is put forward for voting: to vote for, vote against or abstain from voting e shall be regarded as having waived the voting rights. Any votes which are uncompleted, erroneously completed or illegible, or uncast votes shall be considered as an abstention of voting rights by the voter and the outcome of votes carried with the shares held by such voter shall be counted as “abstain from voting”.

On a poll taken at a meeting, a Shareholder (including a proxy) entitled to two or more votes need not cast all his votes in the same way.

In the case of an equality of votes, whether by a show of hands or a vote, the chairman of the meeting shall have a casting vote.

The following matters shall be resolved by way of ordinary resolutions at a general meeting:

- (I) Work reports of the Board of Directors and the Supervisory Committee;
- (II) Plans for profit distribution and recovery of losses drafted by the Board of Directors;
- (III) Appointment or removal of members of the Board of Directors and the Supervisory Committee, and their remuneration and method of payment thereof;
- (IV) Our Company’s annual financial budgets and final accounts, balance sheets, income statements and other financial statements;
- (V) Any matters other than those required by the laws, administrative regulations or the Articles of Association to be approved by special resolution.

The following matters shall be approved by special resolutions at a general meeting:

- (I) Increase or reduction of the share capital, and issue of any class of shares, warrants and other similar securities of our Company;
- (II) Issuance of debentures of our Company;

- (III) Demerger, merger, dissolution and liquidation of our Company;
- (IV) Change of corporate form of our Company;
- (V) Purchase or disposal of material assets or provision of guarantee by our Company within a year of a value exceeding 30% of our Company's latest audited total assets;
- (VI) Amendment to the Articles of Association;
- (VII) Share incentive plans to be considered and approved;
- (VIII) Repurchase of our Company's shares;
- (IX) Any other matters prescribed by the laws, administrative regulations or the Articles of Association, and those matters approved by ordinary resolution at a general meeting as having a material impact on our Company and are required to be approved by a special resolution;
- (X) Any other matters required by the Listing Rules of the Stock Exchange to be approved by special resolution.

Special Procedures for Voting by Class Shareholders

Shareholders holding different classes of shares are referred to as class Shareholders.

A class Shareholder shall enjoy rights and assume obligations in accordance with the laws, administrative regulations and the Articles of Association.

In addition to holders of other classes of shares, holders of domestic shares and overseas-listed foreign shares are deemed to be different classes of Shareholders. Where the share capital of our Company includes shares that do not carry voting rights, the words "non-voting" must appear on the name of such shares. Where the share capital includes shares with different voting rights, the name of each class of shares, other than those with the most favorable voting rights, must include the words "restricted voting" or "limited voting".

Rights conferred to class Shareholders may not be varied or abrogated unless approved by way of a special resolution at a general meeting and by the affected class Shareholders at a separate general meeting convened in accordance with Articles 104 to 108 hereof.

No approval by a general meeting or a class meeting is required for variation or abrogation of rights of class Shareholders resulting from any change in domestic and foreign laws and administrative regulations and listing rules where our Company's shares are listed, and the decisions made by domestic and foreign regulatory authorities in accordance with the laws.

The transfer of domestic shares held by domestic Shareholders to overseas investors for listing and trading overseas shall not be considered as our Company's intention to vary or abrogate the rights of class Shareholders.

The following circumstances shall be deemed to be a variation or abrogation of the rights of Shareholders of a particular class:

- (I) To increase or decrease the number of shares of such class, or to increase or decrease the number of shares of a class having voting rights, distribution rights or other privileges equal or superior to the shares of such class;
- (II) To effect a change of all or part of the shares of such class into those of another class or to effect an exchange or create a right of exchange of all or part of the shares of another class into those of such class;
- (III) To remove or reduce the rights in respect to accrued dividends or the cumulative dividends attached to shares of such class;
- (IV) To reduce or remove the preferential rights attached to shares of such class to receive dividends or to the distribution of assets in the event that our Company is liquidated;
- (V) To add, remove or reduce the share conversion rights, options, voting rights, transfer rights, pre-emptive rights or rights to acquire securities of our Company attached to shares of such class;
- (VI) To remove or reduce the rights to receive payables from our Company in a particular currency attached to shares of such class;
- (VII) To create a new class of shares with voting right, distribution right or other privileges equal or superior to those of the shares of such class;
- (VIII) To restrict the transfer or ownership of shares of such class or to impose additional restrictions thereto;
- (IX) To grant the right to subscribe for, or convert into, shares of such or another class;
- (X) To increase the rights and privileges of shares of another class;
- (XI) To make a restructuring scheme which will result in the holders of different classes of shares bearing a disproportionate burden of obligations under such restructuring;
- (XII) To vary or abrogate any provision of this Chapter.

Shareholders of the affected class, whether or not otherwise entitled to vote at the general meetings, shall nevertheless be entitled to vote at class meetings in respect to matters concerning sub-paragraphs (II) to (VIII), (XI) and (XII) of Article 103 hereof, but the interested Shareholder(s) shall not be entitled to vote at class meetings.

“Interested Shareholder(s)” mentioned in the preceding paragraph means:

- (I) In the case of a repurchase of shares by our Company by pro rata offers to all Shareholders or by way of on-market dealing on Hong Kong Stock Exchange under Article 33 hereof, a “Controlling Shareholder” as defined in Article 68 hereof;
- (II) In the case of a repurchase of shares by our Company outside the Hong Kong Stock Exchange by way of agreement under Article 33 hereof, a Shareholder who is related to the agreement;
- (III) In the case of a restructuring of our Company, a Shareholder within a class who bears less than a proportionate liability than other Shareholders of such class or who has an interest different from those of other Shareholders of such class.

Resolutions of a class meeting shall be passed by Shareholders present at the meeting representing two-thirds or more of the voting rights in accordance with Article 104 hereof.

In the event that our Company convenes a class meeting, the period for issuing a written notice shall be the same as that for the non-class meeting to be held on the same day as the class meeting. The written notice shall be issued to Shareholders whose names appear on the register of members, specifying the matters proposed to be considered and the date and place of the meeting. When calculating the required time periods mentioned above, the date of the meeting shall not be included.

If the listing rules of the stock exchange where our Company’s shares are listed have specific provisions, such provisions shall be complied with.

The quorum for each meeting (other than an adjournment) of members of any class convened to consider amending the right of any class of shares shall be the holders of at least one-third of the issued shares in that class.

The notice of the class meeting shall only be served to Shareholders entitled to vote thereat.

A class meeting shall be held under procedures as similar as possible to a general meeting. The provisions of the Articles of Associations which relate to the convening of general meetings shall apply to class meetings.

In addition to holders of other classes of shares, holders of domestic shares and overseas-listed foreign shares are deemed to be different classes of Shareholders. The special voting procedures for class meetings shall not apply to the following circumstances:

- (I) Where our Company issues, upon approval by a special resolution of its Shareholders in a general meeting, either separately or concurrently every 12 months, not more than 20% of each of the existing issued domestic shares and overseas-listed foreign shares;
- (II) Where our Company's plan to issue domestic shares and overseas-listed foreign shares at the time of its establishment is implemented within 15 months from the date of approval by the securities regulatory authority of the State Council or before the deadline specified in the approval documents thereof;
- (III) Where holders of domestic shares of our Company transfer the shares held by them to overseas investors, or they are allowed to convert their shares into overseas listed shares, and such transferred shares are listed or traded on an overseas stock exchange, upon the approval by the securities regulatory authority of the State Council.

DIRECTORS AND BOARD OF DIRECTORS

Directors

Directors shall be elected or replaced at the general meetings for a term of 3 years. Upon maturity of the term of office, a Director shall be eligible to offer himself for re-election and re-appointment, but shall not exceed 6 years, unless otherwise provided by relevant laws, regulations and the listing rules of the stock exchange where our Company's shares are listed.

Subject to the relevant laws and administrative regulations, a Director may be removed by an ordinary resolution in a general meeting, before the expiration of his term of office (but without prejudice to any claim which such Director may here for damages under any contract). A Director may resign before expiration of his term of office.

The resigning Director shall submit a written resignation to the Board of Directors. The Board of Directors shall make relevant disclosure within 2 days upon receipt of such resignation.

In the event that the resignation of any Director results in the number of members of the Board of Directors to be less than the statutory minimum requirement, the said Director shall continue to perform duties as Director pursuant to the laws, administrative regulations, departmental rules and the Articles of Association until a new Director is elected and assumes his/her office. The re-elected Directors shall have the same term of office as the original Board of Directors.

Save for the circumstances referenced in the preceding paragraph, the resignation of a Director shall become effective upon submission of his resignation to the Board of Directors.

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

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

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

Our Company shall have independent non-executive Directors. Except as otherwise provided by this section, the provisions relating to the qualifications and obligations of Directors in Chapter 14 of the Articles of Association shall apply to independent non-executive Directors.

Independent non-executive Directors shall have sufficient industry or professional experience to perform their duties, and perform their duties honestly and faithfully, safeguard our Company's interest and in particular, preventing encroachment of the lawful rights and interests of public Shareholders, so as to ensure the sufficient representation of the interests of all Shareholders.

Prior to the expiration of his term of office, any Director who has withdrawn from his office without permission, or who violates any laws, administrative regulations, departmental rules or the Articles of Association or during the course of performing his duties, and Company suffers only loss, such Director shall be liable for compensation of such loss.

No Director shall act on behalf of our Company or the Board of Directors in his personal capacity, unless specified under the Articles of Association or legally authorised by the Board of Directors. In the event that a Director is acting in his personal capacity, but may be reasonably deemed to be acting on the behalf of our Company or the Board of Directors by a third party, such Director shall state his stance and capacity in advance.

Board of Directors

Our Company shall establish a Board of Directors, which shall comprise 8 Directors, including 1 staff representative. The Board of Directors shall have one chairman. The chairman of the Board of Directors shall be elected or removed by more than one half of all Directors, and has a term of office of 3 years and is renewable upon re-election.

Subject to the relevant laws and administrative regulations, a Director may be removed by an ordinary resolution in a general meeting, before the expiration of his term of office (but without prejudice to any claim which such Director may here for damages under any contract).

The number of independent Directors, at all times, shall not be less than 3 and shall represent 1/3 or above of the Board of Directors. At least one of them shall have appropriate professional qualifications, or accounting or related financial management expertise. The term of office of an independent non-executive Director shall be 3 years and is renewable upon re-election, but shall not exceed 9 years, unless otherwise provided by relevant laws, regulations and the listing rules of the stock exchange where our Company's shares are listed.

The general manager or other senior management officers may concurrently serve as a Director, provided that the aggregate number of the Directors who concurrently serve as general manager or other senior management officers shall not exceed 1/2 of the total number of Directors of our Company.

The number of senior management officers of the Controlling Shareholder concurrently holding the office of the chairman or executive Director of our Company shall not exceed 2.

A Director is not required to hold any shares of our Company.

The Board of Directors shall be responsible to general meetings and exercise the following functions and powers:

- (I) convene the general meeting and report to the general meeting;
- (II) To implement the resolutions adopted at general meetings;
- (III) To decide on our Company's business plans and investment plans;
- (IV) To formulate our Company's annual financial budgets and accounts;
- (V) To formulate our Company's proposals on profit distribution and plan for recovery of losses;
- (VI) To formulate proposals for increases or reductions of our Company's registered capital and proposals for the issue and listing of corporate debentures or other securities;

- (VII) To formulate plans for material asset acquisition or disposal, acquisition of our Company's shares, or merger, demerger, dissolution and change of corporate formation of our Company;
- (VIII) To decide, within the scope authorised by the general meeting, our Company's overseas investment, purchase and sale of assets, asset mortgage, external guarantee, entrusted wealth management, related transactions and other matters;
- (IX) To decide on the establishment of our Company's internal management structure;
- (X) To appoint or dismiss our Company's general manager or Board secretary; and to appoint or dismiss other senior management officers of our Company, such as the vice general manager and chief financial officer pursuant to the nomination of the general manager, and determine their remunerations, rewards and punishments;
- (XI) To formulate our Company's basic management system;
- (XII) To formulate proposals for amendment to the Articles of Association;
- (XIII) To manage the disclosure of our Company's information;
- (XIV) To propose to general meeting the appointment or change of auditors engaged in auditing businesses of our Company;
- (XV) To listen to work reports from our Company's senior management officers and examine their work;
- (XVI) To decide on matters such as investments, acquisitions or disposals of assets, financing and connected transactions that require decisions to be made by the Board of Directors in accordance with the Listing Rules;
- (XVII) To exercise other functions and powers conferred by laws, administrative regulations, department rules or the Articles of Association.

Matters beyond the authorization of the general meeting shall be submitted at the general meeting for approval.

When deciding major issues of our Company, the Board of Directors shall solicit the opinions of the Party Committee of our Company in advance.

Meetings of the Board shall be held at least 4 times every year and convened by the chairman of the Board. Notice of the meeting shall be served on all of the Directors and Supervisors 14 days before the date of the meeting.

In case of any urgent matters, the following persons can propose to convene an interim Board meeting: The chairman of the Board of Directors shall convene a Board meeting within ten days and preside it:

- (I) When proposed by more than one-tenth of the Shareholders with voting rights;
- (II) When proposed by one-third or more of the Directors;
- (III) When proposed by the chairman of the Board of Directors;
- (IV) When proposed by two or more independent Directors;
- (V) When proposed by the Supervisory Committee;
- (VI) When proposed by the general manager;
- (VII) Any other circumstances stipulated in the Articles of Association.

Notice shall be given to all Directors, Supervisors and the general manager 14 days prior to a regular Board meeting, and a reasonable period (no less than 5 days) prior to an interim Board meeting. The responsible body of our Company shall serve a written notice of the meeting to all Directors, Supervisors and the general manager by direct delivery, fax, express mail service or other means of electronic communication. Notices that are not served by hand shall be confirmed by telephone and record should be made accordingly.

With the consent of all the Directors and Supervisors, the provisions on the time limit for notification of Board meetings may be exempted from execution.

In case of emergency and an interim Board meeting is required to be convened as soon as possible, the notice of meeting may be given by telephone or by other verbal means at any time, but the convener shall provide an explanation at the meeting.

The notice of a Board meeting shall include the following:

- (I) The date and venue of the meeting;
- (II) The duration of the meeting;
- (III) Reasons and subjects of the meeting;
- (IV) The issuance date of the notice;
- (V) Other necessary contents.

A notice of meeting shall be deemed to have been served on a Director who is present at a meeting and who has not, before or during the meeting, raised the fact that he has not received a notice of the meeting.

The regular or the extraordinary meetings of the Board may be conducted through conference call or any other similar communication facility provided that the Directors can hear each other distinctly and that they can communicate. All the Directors present at such kind of meeting shall be deemed as having attended the meeting in person.

Meetings of the Board of Directors shall be held only if more than half of the Directors are present.

Each Director shall have one vote. Except as otherwise required by laws, administrative rules and regulations, the Board may pass resolutions only upon a majority vote of all the Shareholders attended in the meeting.

The meeting can effectively convene when more than half of the unconnected Directors attend, and the resolution shall be approved by votes from more than half of the unconnected Directors. Should there be fewer than three (3) unconnected Directors at the Board meeting, the item shall be submitted for consideration at the general meeting.

Where the number of votes cast for and against a resolution are equal, the chairman of the Board of Directors shall have a casting vote.

Directors shall attend a Board meeting in person. If Directors are unable to attend the meeting due to certain reasons, they may authorize other Directors in writing to attend the meeting on their behalf. A letter of authorization shall indicate the name of representative, matters of representation, scope of authorization and effective period, and under the signature or seal of the consignor.

The appointed Director attending the meeting shall exercise the rights of a Director within the scope of authorization. If a Director does not attend a Board meeting, and does not authorize any representatives to attend the meeting, he shall be deemed to have waived the voting right in the meeting.

In relation to important matters that are to be determined by the Board, notices of meetings, together with sufficient information, must be served on all the Directors within the time limit set out in the Articles of Association and in strict compliance with the required procedures. Directors may demand further information. If more than one-quarter of the Directors or more than two external Directors consider that the information required for the matters to be resolved is not sufficient or that proper judgement cannot be reached on the matters in issue for other reasons, they may jointly propose a postponement of the Board meeting or of the deliberation of some of the matters to be considered by the Board, and such proposal shall be accepted by the Board.

The Board may accept that a written resolution can be circulated instead of convening a meeting. However, the draft of the resolution shall be delivered to each Director by hand, by mail, by fax or by email. If the Board has circulated the resolution to all Directors and the number of Directors who have signed the resolution to show their agreement has reached the quorum for making a decision, and also the resolution so passed shall, upon being delivered to the secretary to the Board, become a resolution of the Board with the same legal effect as a resolution passed on a Board meeting convened in accordance with the relevant provisions of the Articles of Association.

The Board shall keep minutes of resolutions on matters discussed at meetings. The minutes shall be signed by the Directors, the secretary to the Board and the minute taker present at the meeting.

The Directors shall be liable for the resolutions of the Board. If a resolution of the Board violates the laws, administrative regulations, the Articles of Association, resulting in serious losses to our Company, the Directors involved in approving the resolution are liable to compensate our Company. However, if it can be proven that a Director expressly objected to the resolution during voting and that such objection is recorded in the minutes of the meeting, such Director may be released from such liability.

Secretary to the Board and Senior Management Officers

Secretary to the Board

Our Company shall have one (1) secretary to the Board who shall be appointed or dismissed by the Board. The secretary to the Board is a senior management officer and is accountable to our Company and the Board and shall perform his duties faithfully and diligently.

The secretary of the Board of Directors shall abide by the relevant provisions of laws, administrative regulations, departmental rules and the articles of association.

The secretary to the Board shall have acquired requisite professional knowledge and experience. He shall be appointed or dismissed by the Board of Directors and the major duties of whom include:

- (I) to ensure that the constitutional documents and records of our Company are complete; to maintain and manage Shareholders' information; to assist the Directors in dealing with daily work of the Board; to inform, remind Directors of and ensure the Directors to be acquainted with the laws, administrative regulations, policies and requirements by relevant regulatory authorities regarding our Company's operations; to assist Directors and general manager in abiding by laws, administrative regulations, departmental rules and the Articles of Association in their exercise of authority and functions;

- (II) to be responsible for the organization and preparation works for the Board of Directors, shareholders' general meeting, meeting records, minutes of meetings, to ensure the resolutions reached at these meetings comply with the legal procedures, to be well informed about the execution of the Board resolutions and to advise Directors on important issues encountered in the execution;
- (III) as a contact point between our Company and securities regulators, to be responsible for the organization, preparation and timely submission of the reports and files requested by the securities regulators; to be acknowledged of and complete the relevant requirements stipulated by the securities regulators;
- (IV) to coordinate and arrange the disclosure of the information of our Company; to establish a sound disclosure system; to attend the meetings relating to the disclosure; and to be promptly aware of the material business operating decisions of our Company and other relevant information;
- (V) to ensure that our Company's registers of members are properly maintained, and that persons who are entitled to receive the relevant records and documents of our Company receive the relevant records and documents in a timely manner;
- (VI) to perform such other duties and exercise such other powers as may be conferred by the Board, laws and regulations and the stock exchange on which the shares of our Company are listed.

A Director or any other senior management of our Company may concurrently serve as secretary to the Board. The accountant whose firm is engaged by our Company and management executives acting on behalf of the Controlling Shareholder shall not serve as secretary to the Board.

In the case of the secretary to the Board being a Director, this person shall not act in both capacities when an action requires efforts to be made separately by a Director and a secretary to the Board.

Senior Management Officers

Our Company shall have one (1) general manager who shall be appointed or dismissed by the Board of Directors.

Our Company shall have several deputy general managers and one (1) financial controller, both of whom shall be nominated by the general manager and shall be appointed or dismissed by the Board.

A Director may concurrently serve as the general manager and a deputy general manager.

The general manager has a term of office of 3 years and may serve successive terms upon reappointment.

The general manager shall be accountable to the Board of Directors, and has duties and powers listed below:

- (I) to be in charge of our Company's operation and management, to organize the implementation of the resolutions of the Board and Company, and report to the Board of Directors;
- (II) to arrange proper resources to implement our Company's annual business plans and investment plans;
- (III) to draft internal management organization plans of our Company;
- (IV) to draft our Company's basic management system;
- (V) to formulate basic rules and regulations for our Company;
- (VI) to propose the appointment or dismissal of our Company's vice-general manager(s) and the chief financial officer;
- (VII) to appoint or dismiss management personnel other than those required to be appointed or dismissed by the Board; and
- (VIII) to exercise other powers conferred by the Articles of Association and the Board.

The general manager shall attend Board meetings and, if the general manager is not a Director, he shall not have voting right thereon.

In the exercise of his powers, the general manager, vice general managers, financial controller and other senior management officers shall comply with the laws, administrative regulations and the Articles of Association, and fulfil his duties in good faith and with due diligence.

Supervisors and Supervisory Committee

Our Company shall have a Supervisory Committee.

The Supervisory Committee shall consist of three Supervisors including one staff representative Supervisor, among whom one shall act as the chairman of the Supervisory Committee. The appointment or the dismissal of the chairman of the Supervisory Committee shall be passed by more than two-third (2/3) of the members of the Supervisory Committee.

The term of office of a Supervisor shall be three years, being renewable upon re-election and re-appointment.

The Supervisory Committee shall be comprised of shareholder representatives and staff representatives. Staff representatives shall comprise not lower than one-third of all members of the Supervisory Committee. Shareholder representatives shall be elected and dismissed by the shareholders' meeting, while the staff representative Supervisor shall be elected by the employee representatives' meeting or employees' general meeting or other democratic elections.

Directors and senior management officers of our Company shall not concurrently serve as Supervisors.

The Supervisory Committee shall convene a meeting at least once every six months. The meetings shall be convened by the chairman of the Supervisory Committee. In the event that the chairman of the Supervisory Committee is incapable of performing or fails to perform his duties, a Supervisor jointly recommended by half or above of the Supervisors shall be appointed to convene and preside. Supervisors may propose to convene extraordinary meetings of the Supervisory Committee.

Resolutions of the Supervisory Committee shall be passed by more than half of the members of the Supervisory Committee.

In convening the regular or extraordinary meetings of the Supervisory Committee, the members of the Supervisory Committee shall give the written notice of the meeting to all Supervisors by hand, fax, e-mail or other means within a reasonable period. If the notice is not delivered by hand, a subsequent telephone call shall be made for confirmation and corresponding records shall be made.

In case of urgency and an extraordinary meeting of the Supervisory Committee is required to be convened as soon as possible, the notice of meeting maybe delivered by telephone or by other verbal means at any time, but the convener shall make explanations at the meeting.

The Supervisory Committee shall be accountable to the general meetings and shall exercise the following duties and powers in accordance with law:

- (I) to inspect the financials of our Company;
- (II) to supervise conducts of our Company's Directors and senior management officers during the performance of their duties, and shall make recommendations for removal of any of them for any violation of the law, rules and regulations or Articles of Association of our Company;

- (III) to request our Company's Directors or other senior management officers to rectify any act that is harmful to the interest of our Company;
- (IV) to review our Company's financial position;
- (V) to review financial information such as financial reports, operation reports and profit distribution plans to be submitted by the Board of Directors to the general meetings; to conduct investigation if there is any doubt in our company's operations and engage certified public accountants and practicing auditors in the name of our Company to assist their review if necessary;
- (VI) to propose the convening of an extraordinary general meeting and convene and preside over the shareholders' general meeting when the Board of Directors fails to perform such duties specified under the Company Law;
- (VII) to submit proposals to the shareholders' general meeting;
- (VIII) to propose convening of an extraordinary Board meeting;
- (IX) to bring an action against a Director and senior management officer in accordance with the Company Law;
- (X) to exercise other functions and powers specified in the Articles of Association;

Supervisors shall attend the Board meetings.

The method for resolving matters by the Supervisory Committee: resolutions of the Supervisory Committee shall be made by way of voting with one vote for each Supervisor in the manner of open and written ballot.

Resolutions of the Supervisory Committee shall be passed by the affirmative votes of two thirds or more of the members of Supervisory Committee. The Supervisory Committee shall keep minutes of resolutions on matters discussed at the meeting, and the attending Supervisors shall sign on the minutes of the meeting.

In the event that the Supervisory Committee discovers any unusual operation of our Company, it may conduct an investigation and, when necessary, may engage professionals, such as lawyers and accounting firms, to assist in its work. Any reasonable expenses incurred thereby shall be borne by our Company.

A Supervisor shall carry out his Supervisory duties honestly and faithfully in accordance with the law, administrative regulations and the Articles of Association.

Qualifications and Obligations of Directors, Supervisors and Senior Management Officers of our Company

The following persons may not serve as a Director, Supervisor, the general manager, or other senior management officer of our Company:

- (I) a person without or with limited capacity for civil conduct;
- (II) a person who has been sentenced for corruption, bribery, infringement of property misappropriation of property or damaging the social economic order, where less than 5 years have elapsed since the sentence was served, or who has been deprived of his political rights due to criminal offense, where less than 5 years have elapsed since the sentence was served;
- (III) a person who is a former Director, factory manager or manager of a company or enterprise which has become insolvent and has been liquidated and who is personally liable for the insolvency of such company or enterprise, and where less than 3 years have elapsed since the date of completion of the insolvency and liquidation of such company or enterprise;
- (IV) a person who is a former legal representative of a company or enterprise the business license of which was revoked and ordered to close down due to violation of law and who is personally liable for such violation, where less than 3 years have elapsed since the date of the revocation of business license of such company or enterprise;
- (V) a person who has relatively large amounts of debts which have become overdue;
- (VI) a person who is currently under investigation by the judicial authorities for violation of criminal law, and the legal procedures are pending;
- (VII) a person who, according to law and administrative regulations, is not permitted to be the leader of an enterprise;
- (VIII) a person who is not a natural person;
- (IX) a person who has been convicted by the competent authority for violation of relevant securities regulations and such conviction involves a finding that such person has acted fraudulently or dishonestly, where less than 5 years have elapsed since the date of such conviction; and
- (X) other cases specified by the laws, regulations, relevant securities regulatory authorities or rules imposed by the place of listing of our Company.

The validity of an act carried out by a Director or other senior management officer on behalf of our Company as against a bona fide third party shall not be affected by any irregularity in his employment, election or qualification.

There is no provision in the Articles of Association regarding retirement or non-retirement of Directors under an age limit.

In addition to obligations imposed by laws, administrative regulations or required by the listing rules of the stock exchanges on which our Company's shares are listed, our Company's Directors, Supervisors and senior management officers has the following obligations in the exercise of the functions and powers of our Company:

- (I) not to cause our Company to exceed the scope of the business stipulated in its business license;
- (II) to act honestly in the best interest of our Company;
- (III) not to expropriate in any manner our Company's property, including but not limit to usurpation of opportunities advantageous to our Company;
- (IV) not to expropriate the individual rights of Shareholders, including but not limit to rights to distribution and voting rights, except pursuant to are structuring of our Company submitted to Shareholders for approval in accordance with the articles of association.

Our Company's Directors, Supervisors and senior management officers owes a duty, in the exercise of their powers and discharge of their duties, to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Each of our Company's Directors, Supervisors and senior management officers shall perform his duties on the principle of fiduciary responsibility, and shall not put himself in a position where his interests and his duties may conflict. This principle includes (but is not limited to) discharging the following obligations:

- (I) to act bona fide in the best interests of our Company;
- (II) to exercise his powers within his terms of reference and not to act ultra vires;
- (III) to exercise the discretion vested in him personally and not to allow himself to act under the control of any other party; and unless permitted by laws, administrative regulations or with the informed consent of the Shareholders given in a general meeting, not to delegate the exercise of his discretion;
- (IV) to treat Shareholders of the same class equally and to treat Shareholders of different classes fairly;

- (V) unless otherwise provided in the Articles of Association or except with the informed consent of the Shareholders given in a general meeting, not to enter into any contract, transaction or arrangement with our Company;
- (VI) not to use our Company's property in any way for his own benefit without the informed consent of the Shareholders given in a general meeting;
- (VII) not to exploit his position to accept bribes or to obtain other illegal income, expropriate our Company's property in any way, including (but not limited to) opportunities beneficial to our Company;
- (VIII) not to accept commissions in connection with our Company's transactions without the informed consent of the Shareholders given in a general meeting;
- (IX) to comply with the Articles of Association, perform his duties faithfully, protect our Company's interests and not to exploit his position and power in our Company for his own benefit;
- (X) not to compete with our Company in any way without the informed consent of the Shareholders given in a general meeting;
- (XI) not to misappropriate our Company's funds, not to open any account in his own name or in any other name for the deposit of our Company's assets or funds, not to violate the provisions of the Articles of Association by lending our Company's funds to others or using such assets to provide guarantee for the debts of Shareholders of our Company or other individuals without the consent of the Shareholders given at a general meeting or the consent of the Board of Directors;
- (XII) not to disclose any confidential information in relation to our Company which he has obtained during his term of office without the informed consent of the Shareholders given at a general meeting; nor shall he use such information other than for our Company's benefit, save that disclosure of such information to the court or other governmental authorities is permitted if:
 - 1. the law so requires;
 - 2. public interest so warrants;
 - 3. the interests of the relevant Director, Supervisor, general manager and senior management officers so requires.

Any gain arising from the breach of this Article by the personnel mentioned in this Article shall belong to our Company. Such personnel shall be liable for compensation for any loss of our Company arising therefrom.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

Each Director, Supervisor or other senior management officer of our Company shall not direct the following persons or institutions (“related parties”) to do anything that is not permitted:

- (I) the spouse or minor child of our Company’s Director, Supervisor or other senior management officer;
- (II) the trustee of our Company’s Director, Supervisor or other senior management officer or any person referred to in sub-paragraph (I) of this Article;
- (III) the partner of our Company’s Director, Supervisor or other senior management officer or any person referred to in sub-paragraphs (I) and (II) of this Article;
- (IV) a company in which our Company’s Director, Supervisor or senior management officer, whether alone or jointly with the persons referred to in sub paragraphs (I), (II) or (III) of this Article or other Directors, Supervisors and senior management officers of our Company, has de facto control; and
- (V) the Directors, Supervisors and senior management officers of the controlled company referred to in sub paragraph (IV) of this Article.

The fiduciary duties of a Director, Supervisor and senior management officers of our Company do not necessarily cease upon termination of their tenure. The duty of confidentiality in respect to trade secrets of our Company survives the termination of their tenures. Other duties may continue for such period as the principle of fairness may require, depending on the length of time that has elapsed between termination and the act concerned and the circumstances and terms under which their relationship with our Company have been terminated.

Except for circumstances prescribed in Article 65 hereof, a Director, Supervisor and senior management officers of our Company may be relieved of liability for specific breaches of his duty with the informed consent of the Shareholders given in a general meeting.

Where a Director, Supervisor or senior management officer of our Company is, directly or indirectly, materially interested in a contract, transaction or arrangement or proposed contract, transaction or arrangement with our Company (other than any employment contract between our Company and the Director, Supervisor or senior management officer), he shall disclose the nature and extent of his interest to the Board of Directors at the earliest opportunity, whether or not such matters are subject to the approval of the Board of Directors under normal circumstances.

Save as those exceptions specified by the Articles of Association and approved by the Stock Exchange, a Director shall not vote on any resolution of the Board of Directors approving any contract, transaction or arrangement or any other relevant proposal in which he or any of his close associates as defined under the Listing Rules, as amended or supplemented

from time to time has a material interest nor shall he be counted in the quorum present at the meeting. Unless the interested Director, Supervisor, general manager or other senior management officer of our Company has disclosed his interest to the Board of Directors as required by the above paragraph of this Article and relevant matters have been approved by the Board of Directors at a meeting in which he was not counted in the quorum and has abstained from voting, the contract, transaction or arrangement is voidable at the instance of our Company except as against a bona fide party thereto who does not have notice of the breach of duty by the interested Director, Supervisor, general manager or other senior management officer.

A Director, Supervisor or senior management officer of our Company is deemed to be interested in a contract, transaction or arrangement in which his related party is interested.

Where a Director, Supervisor or senior management officer of our Company gives the Board of Directors a notice in writing stating that, by reason of the facts specified in the notice, he is interested in the contract, transaction or arrangement which may subsequently be made by our Company, such notice shall be deemed to be a disclosure for the purpose of the preceding Article of this section, so far as the content stated in such notice is concerned, provided that such notice shall have been given before the date on which the relevant contract conclusion, transaction or arrangement is first taken into consideration by our Company.

Our Company shall not in any manner pay taxes for its Directors, Supervisors or senior management officers.

Our Company shall not directly or indirectly make a loan to or provide any guarantee for a loan to a Director, Supervisor or senior management officer of our Company or its parent company or any of their respective related parties.

The foregoing provision shall not apply to the following circumstances:

- (I) The provision by our Company of a loan or a guarantee for a loan to its subsidiaries;
- (II) The provision by our Company of a loan or a guarantee for a loan or any other funds to any of its Directors, Supervisors or senior management officers pursuant to their employment contracts which were approved by the Shareholders in a general meeting for him to settle expenditures incurred by him for expenses incurred in performing his duties and responsibilities; and
- (III) If the ordinary scope of business of our Company includes the provision of loans or guarantees for loans, our Company may provide a loan or a guarantee for a loan to any of the relevant Directors, Supervisors, general managers or other senior management officers or their respective related parties, provided that the provision of loans or guarantees for loans is on normal commercial terms.

A loan made by our Company in breach of the preceding Article shall be repayable forthwith by the recipient of the loan regardless of the terms of the loan.

A guarantee for a loan provided by our Company in breach of the first clause of Article 158 shall not be enforceable against our Company, unless

- (I) the lender was not aware of the relevant circumstances when he provided a loan to a related party of any of the Directors, Supervisors, general managers and senior management officers of our Company or its parent company; or
- (II) the collateral provided by our Company has already been lawfully disposed of by the lender to a bona fide purchaser.

For the purposes of the foregoing provisions, a “guarantee” includes an act of undertaking or property provided by the guarantor to secure the performance of obligations by the obligor.

Where a Director, Supervisor or senior management officer of our Company is in breach of his obligations owed to our Company, our Company has, in addition to any rights and remedies provided for in the laws and administrative regulations, the right to take the following measures:

- (I) to demand such Director, Supervisor or senior management officer compensate for losses sustained by our Company as a result of such breach;
- (II) to rescind any contract or transaction that has been entered into by our Company with such Director, Supervisor or senior management officer or with a third party (where such third party has known or should have known that such Director, Supervisor, general manager or other senior management officer that represents our Company has breached his duties owed to our Company);
- (III) to demand such Director, Supervisor or senior management officer to surrender profits obtained as a result of the breach of his obligations;
- (IV) to recover any monies received by the Director, Supervisor or senior management officer that should have been received by our Company, including (without limitation) commissions;
- (V) to demand the return of interest earned or which may have been earned by such Director, Supervisor or senior management officer on the monies that should have been paid to our Company; and
- (VI) to request for judgment through legal proceedings that the properties acquired by Directors, Supervisors and senior management officers through their breach of duties shall belong to our Company.

Our Company shall, with the prior approval of Shareholders in a general meeting or by the Board of Directors, enter into a written contract with its Director Supervisor or senior management officer regarding his remuneration. The written contract shall include at least the following provisions:

- (I) an undertaking by the Director, Supervisor and senior management officer to our Company to observe the Company Law, the Special Regulations, the Articles of Association, the Code on Takeovers and Mergers and Share Buy-backs and other rules of the Stock Exchange, and a consent of the Director, Supervisor and senior management officer that our Company shall have the remedies provided in the Articles of Association, and that neither the contract nor his office is capable of assignment;
- (II) an undertaking by the Director, Supervisor and senior management officer to our Company to each shareholder to observe and perform his obligations in accordance with the Articles of Association; and
- (III) an arbitration clause as provided in Article 206.

The aforesaid emoluments include:

- (I) emoluments in respect to his service as Director, Supervisor or senior management officer of our Company;
- (II) emoluments in respect to his service as Director, Supervisor or senior management officer of any subsidiary of our Company; and
- (III) payment to the Director or Supervisor as compensation for loss of office or as consideration in connection with his retirement.

No proceedings may be brought by a Director or Supervisor against our Company for any benefit due to him in respect to the matters mentioned in this Article except pursuant to the contract mentioned above. Our Company shall, on a regular basis, disclose to Shareholders the remunerations obtained by the Directors, Supervisors and senior management officers from our Company.

The contracts entered into between our Company and its Directors or Supervisors concerning emoluments shall prescribe that in the event that our Company is being acquired, our Company's Directors and Supervisors shall, subject to the prior approval of Shareholders in a general meeting, have the right to receive compensation or other payment in respect to his loss of office or retirement. For the purposes of the preceding paragraph, the acquisition of our Company includes any of the following:

- (I) an offer made by any person to all Shareholders; or
- (II) an offer made by any person such that the offeror will become the Controlling Shareholder. The term "Controlling Shareholder" has the same meaning as defined in the Articles of Association.

If the relevant Director or Supervisor does not comply with this Article, any sum received by him shall belong to those persons who have sold their shares as a result of the acceptance of such offer, and the expenses incurred in distributing that sum on a pro rata basis among those persons shall be borne by the relevant Director or Supervisor and shall not be deducted from the distributed sum.

Financial accounting system, profit distribution and audit

Financial accounting system

Our Company shall establish its financial and accounting system in accordance with the laws, administrative regulations and the provisions stipulated by the competent financial authority of the State Council.

Our Company shall adopt the Gregorian calendar year for its fiscal year, i.e. the fiscal year shall be from January 1 to December 31. Our Company uses RMB as the standard currency for its bookkeeping, and its accounts are recorded in Chinese. At the end of each fiscal year, our Company shall prepare a financial report which shall be audited by an accounting firm in accordance with the law.

The financial statements of our Company can, in addition to being prepared in accordance with the PRC accounting standards and regulations, be prepared in accordance with either international accounting standards or that of the overseas place where the shares are listed. If there is any material difference between the financial statements prepared respectively in accordance with the two accounting standards, such difference shall be made in the notes to financial statements.

When our Company is to distribute its after-tax profits of the relevant fiscal year, the lower of the after-tax profits as shown in the aforesaid two financial statements shall be adopted.

The Board of our Company shall submit to the Shareholders at every annual general meeting the financial reports prepared by our Company as required by the relevant laws, administrative regulations and regulatory documents promulgated by local government and competent authorities.

Our Company shall not keep any accounting books other than those specified by law. The assets of our Company shall not be deposited in any personal account.

Our Company's financial reports shall be made available for Shareholders' inspection at our Company 20 days before the date of every annual general meeting. Each Shareholder of our Company shall be entitled to obtain a copy of such financial reports referred to in this Chapter. The aforesaid financial report shall include the report of the Board and the balance sheet (including the documents required to be attached by applicable laws), profit and loss account or statement of income and expenditure, or the summary financial report.

Our Company shall send such financial report to every shareholder by pre-paid post at the address of such shareholder as recorded in the register of members no less than 21 days before the date of the annual general meeting. Our Company can proceed by way of announcements, including announcement via our Company's website, on condition that such announcements are in compliance with the laws, administrative regulations, departmental rules and the relevant requirements of the securities regulatory body where our Company's shares are listed.

Our Company shall publish the financial reports twice in each fiscal year. Interim financial report shall be published within 60 days after the end of the first six months of a fiscal year, while the annual financial report shall be published within 120 days after the end of a fiscal year.

Any interim results or financial information published or disclosed by our Company must be prepared in accordance with the PRC accounting standards and regulations, and also in accordance with either international accounting standards or that of the overseas place where the Shares are listed.

Profit Distribution

When the current year's after-tax profits of our Company are distributed, our Company must allocate 10% of the profits to the statutory common reserve. When the total amount of the statutory common reserve reaches or exceeds 50% of our Company's registered capital, no more allocations need to be provided.

If the statutory common reserve of our Company is insufficient to make up the losses of our Company incurred during the previous year, the profits generated during the current year must be used to make up such losses before allocating to the statutory common reserve in accordance with the requirements set forth in the preceding paragraph.

After our Company makes the allocation from its after-tax profits to its statutory common reserve, our Company may, subject to a resolution at the shareholders' general meeting, make an allocation from its after-tax profits to the discretionary common reserve.

After making up for the losses and making allocations to the common reserve fund, any remaining after-tax profits shall be distributed by our Company to the shareholders in proportion to their respective shareholdings according to the resolutions adopted at the shareholders' general meeting.

If the shareholders' general meeting violates the provisions in the preceding paragraph and profits are distributed to the shareholders before our Company makes up losses or makes allocations to the statutory common reserve, the profits distributed in violation of the provisions must be returned by such shareholders to our Company.

The shares held by our Company shall not be subject to profit distribution.

The capital common reserve shall include:

- (1) Premium arising from issue above the par value of the stock;
- (2) Other revenue required by the competent financial authority of the State Council to be stated as capital common reserve.

The reserve fund of our Company can be applied for making up for losses of our Company, expansion of our Company's production and operation or capitalization for capital increase of our Company, but the capital reserve fund cannot be applied for making up for losses of our Company.

Where the statutory common reserve is converted into capital, the balance of such reserve fund shall not fall below 25% of our Company's registered capital prior to such conversion.

Our Company may distribute dividends in the form of (or a combination of both):

- (1) cash;
- (2) shares.

Any amount paid up in advance of calls on any share may carry interest but shall not entitle the relevant shareholder to participate in respect thereof in a dividend subsequently declared.

Our Company shall appoint receiving agents on behalf of shareholders holding overseas-listed foreign shares. The receiving agents shall on behalf of such shareholders receive dividends distributed by our Company in respect of the overseas-listed foreign shares and other amounts payable, and such payment shall be kept by the receiving agents on such shareholders' behalf for any payment to them.

The receiving agents appointed by our Company shall comply with the relevant requirements of the law of the place and relevant regulations of the stock exchange where our Company's shares are listed.

The receiving agents appointed on behalf of holders of overseas-listed foreign shares listed in the Stock Exchange shall be a company registered as a trust company under the Trustee Ordinance of Hong Kong.

Subject to compliance with the relevant laws and regulations of the PRC, our Company may exercise its right to confiscate the dividends which are not claimed by anyone but such right can only be exercised in or after the sixth year after the date of declaring dividends.

As for the dividend certificate sent by mail to the members, our Company is entitled to cease sending such dividend certificates after two consecutive failures of cashing after the posting of such dividend certificates. If the first dividend certificate fails to reach the members and is sent back, our Company is entitled to exercise such right.

Where power is taken to issue warrant to bearer, no new warrants shall be issued to replace one that has been lost, unless our Company is satisfied beyond reasonable doubt that the original has been destroyed.

Our Company may sell the shares of a shareholder of oversea listed foreign shares who is untraceable and keep the proceeds should the Board considered it fit for, but it must comply with the followings:

- (1) during a period of twelve years at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the shareholder; and
- (2) on expiry of the twelve years our Company gives notice of its intention to sell the shares by way of an advertisement published in one or more newspapers of the place where our Company is listed and notifies the stock exchange on which such shares are listed.

Our Company shall pay cash dividends and other payments which are payable to holders of Domestic Shares in RMB. Our Company shall calculate and declare cash dividends and other payments which are payable to holders of Overseas-Listed Foreign Shares in RMB, and shall make such payments in foreign currencies. As for the foreign currency needed by our Company for payment of cash dividends and other payments which are payable to the holders of the Overseas-Listed Foreign Shares, it shall be handled in accordance with any related national regulations on foreign exchange control.

Unless provided otherwise in any laws or administrative regulations, our Company shall adopt the average selling rates of the relevant foreign exchange as quoted by the People's Bank of China for the calendar week before the date on which the dividends and other payments are declared to calculate the dividends and other sums which are payable in foreign currencies.

Appointment of Accounting Firm

Our Company shall appoint an independent accounting firm under the relevant regulations of the State to audit our Company's annual financial statements and review our Company's other financial reports.

The first accounting firm of our Company may be appointed by the inaugural meeting prior to the first annual general meeting and the accounting firm so appointed shall hold office until the conclusion of the first annual general meeting.

If the inaugural meeting fails to exercise its powers under the preceding paragraph, those powers shall be exercised by the Board.

The term of appointment of the accounting firm shall commence from the conclusion of the current annual general meeting and end at the conclusion of the next annual general meeting.

The accounting firm appointed by our Company shall have the following rights:

- (1) the right to review the books, records and vouchers of our Company at any time, the right to require the directors, managers or other senior management officers of our Company to provide relevant information and explanations;
- (2) the right to require our Company to take all reasonable steps to obtain from its subsidiaries such information and explanation as are necessary for the discharge of its duties;
- (3) the right to attend general meetings and to receive all notices of, and other communications relating to, any general meeting which any shareholder is entitled to receive, and to speak at any general meeting in relation to matters concerning its role as our Company's accounting firm.

Our Company shall provide the appointed accounting firm with true and complete accounting vouchers, accounting books, financial and accounting reports and other accounting information. Our Company shall not refuse to provide or hide the same or make false reports.

If there is a vacancy in the position of accounting firm of our Company, the Board of Directors may appoint an accounting firm to fill such vacancy before the convening of the shareholders' general meeting. Any other accounting firm which has been appointed by our Company may continue to perform its duties during the period in which a vacancy arises.

The shareholders in a general meeting may by ordinary resolution remove an accounting firm before the expiration of its term of office, notwithstanding the stipulations in the contract between our Company and the accounting firm, but without prejudice to the accounting firm's right to claim for damages in respect of such removal.

The remuneration of an accounting firm or the manner in which such remuneration is determined shall be decided by the shareholders' general meeting. The remuneration of an accounting firm appointed by the Board of Directors shall be determined by the Board of Directors.

Our Company's appointment, removal and non-renewal of an accounting firm shall be resolved by the shareholders' general meeting. Such resolution shall be filed with the securities regulatory authority of the State Council. Prior to the removal or the non-renewal of the appointment of the accounting firm, an advance notice of such removal or non-renewal shall be given to the accounting firm and such firm has the right to state its opinions to the shareholders' general meeting.

Where a resolution at a shareholders' general meeting is passed to appoint an accounting firm other than the incumbent accounting firm to fill a casual vacancy in the office of accounting firm, to reappoint an accounting firm that was appointed by the Board of Directors to fill a casual vacancy, or to remove an accounting firm before the expiration of its term of office, the following provisions shall be fulfilled:

- (1) A copy of the appointment or removal proposal shall be sent (before notice of the shareholders' general meeting is given to the shareholders) to the accounting firm proposed to be appointed or proposed to leave its post or the accounting firm which has left its post in the relevant accounting year. Leaving includes leaving by removal, resignation and retirement.
- (2) If the accounting firm leaving its post makes representations in writing and requests our Company to notify its shareholders of such representations, our Company shall (unless the written representations are received too late) take the following measures:
 1. in any notice of meeting held for making the resolution, state the fact of the representations having been made by the leaving accounting firm;
 2. attach a copy of the representations to the notice and send it to each shareholder in the manner stipulated in the Articles of Association.
- (3) If our Company fails to send out the accounting firm's representations in the manner set out in subparagraph (2) of this Article, such accounting firm may require that the representations be read out at the shareholders' general meeting and may make further representations.
- (4) An accounting firm leaving its post shall be entitled to attend:
 1. the shareholders' general meeting at which its term of office would otherwise have expired;
 2. the shareholders' general meeting at which it is proposed to fill the vacancy caused by its removal;
 3. the shareholders' general meeting which is convened as a result of its resignation on its own accord.

The accounting firm leaving its post shall be entitled to receive all notices of, and other communications relating to, such meetings, and to speak at such meetings in relation to matters concerning its role as the former accounting firm of our Company.

Prior to the removal or the non-renewal of the appointment of the accounting firm, an advance notice of such removal or non-renewal shall be given to the accounting firm and such firm has the right to state its opinions to the shareholders' general meeting. Where the accounting firm resigns its post, it shall make clear to the shareholders' general meeting whether there is any impropriety on the part of our Company.

The accounting firm may resign its office by depositing at our Company's legal address a written notice of resignation, which shall become effective on the date of such deposit or on such later date as may be stipulated in such notice. Such notice shall include the following statements:

- (1) a statement to the effect that there are no circumstances connected with its resignation which it considers shall be brought to the notice of the shareholders or creditors of our Company; or
- (2) a statement of any such circumstances that should be explained.

Our Company shall, within fourteen days after receipt of the written notice referred to in the preceding paragraph of the Article, send a copy of the notice to the relevant competent authority. If the notice contains a statement under the foresaid clause (2) of the Article, a copy of such statement shall be placed at our Company for shareholders' inspection and a copy of such statement should be sent by prepaid mail to every holder of overseas-listed foreign shares at the address registered in the register of shareholders.

Where the accounting firm's notice of resignation contains a statement of any circumstances that should be explained, the accounting firm may require the Board of Directors to convene an extraordinary general meeting for the purpose of giving an explanation of the circumstances connected with its resignation.

Notice and Announcement

Notices of our Company may be given in the following ways:

- (1) in person;
- (2) by mail;
- (3) by facsimile or e-mail;

- (4) subject to the laws, administrative regulations and listing rules of the stock exchange of the place where the shares of our Company are listed, by posting on the website designated by the Stock Exchange;
- (5) by way of announcements;
- (6) such ways as our Company or the notified party agreed in advance or any other way which is recognized by the notified party upon receipt of the notice;
- (7) other ways which are recognized by the relevant regulatory authorities of the place where the shares of our Company are listed or stipulated in the Articles of Association.

Unless the context otherwise specifies, the “announcements” used herein shall mean, with respect to announcements made to the shareholders of domestic shares or announcements that are required to be made within the PRC in accordance with relevant regulations and the Articles, the announcements published in Chinese newspapers designated by Chinese laws, administrative regulations or the securities regulatory authorities of the State Council. For notices issued by our Company to shareholders of overseas-listed foreign shares (by means of announcements), our Company shall on the same day submit an electronic version to the Stock Exchange through the Stock Exchange electronic publishing system for immediate release on the website of the Stock Exchange in accordance with the local listing rules, or publish an announcement on a newspaper (including publishing an advertisement on the newspaper) in accordance with the local listing rules. The announcement shall also be published on our Company’s website. In addition, unless otherwise specified in the Articles of Association, the notice must be delivered to each of the registered addresses as appeared in the register of shareholders of overseas-listed foreign shares in person or by pre- paid mail so as to give the shareholders sufficient notice and time to exercise their rights or act in accordance with the terms of the notice.

Shareholders of overseas-listed foreign shares of our Company may choose in writing to receive the corporate communication that our Company must send to shareholders either by e-mails or mails, and also choose to receive the Chinese language version only or the English language version only or both the English and Chinese language versions. They shall have the right at any time by reasonable prior written notice served on our Company to change their choices as to the manner of receiving the same and the language in accordance with applicable procedures.

Shareholders or directors who want to prove that certain notices, documents, information or written statements have been served on our Company shall provide evidential materials showing the same has been served on the correct address by ordinary means or by prepaid mail within the designated periods.

Notwithstanding the aforesaid provision which specifies providing and/or dispatching written corporate communication to shareholders, for the purpose of the means by which our Company provides and/or dispatches its corporate communication to shareholders according to the Stock Exchange Listing Rules, if our Company has obtained shareholders' prior written consent or deemed consent according to the relevant laws and regulations and the Stock Exchange Listing Rules as amended from time to time, our Company may dispatch or provide corporate communication to its shareholders by electronic means or via its website. Corporate communication includes but not limited to circulars, annual reports, interim reports, quarterly reports, notices of shareholders' general meetings, and other types of corporate communication as specified in the Stock Exchange Listing Rules.

Unless otherwise stated in the Articles of Association, the various ways of sending notices specified in the preceding paragraph shall apply to the notices of the shareholders' general meetings, board meetings and the meetings of the Board of Supervisors convened by our Company.

When a notice from our Company is sent out in person, the recipient of the notice shall sign (or seal) on the return receipt of delivery and the date of the recipient's signature shall be deemed to be the delivery date; when the notice of our Company is sent out by mail, the delivery date shall be forty-eight hours after such notice is delivered to the post office; when the notice of our Company is sent out by facsimile or e-mail or published on website, the delivery date shall be the date when the facsimile or email is sent out; when the notice of our Company is sent out by announcement, the delivery date shall be the first date of publication of such announcement. Relevant announcements shall be published in newspapers that meet relevant requirements.

In the event that the listing rules of the stock exchanges where our Company's shares are listed stipulate that our Company shall send, post, distribute, issue, announce or otherwise provide relevant documents of our Company in English and Chinese, and if our Company has made appropriate arrangement to confirm whether the shareholders intend to receive either the English or the Chinese version, our Company may (as per the intent stated by the shareholders) only send the English version or the Chinese version to the shareholders concerned to the extent permitted by the applicable laws and regulations and the Articles of Association.

Merger, separation, dissolution and liquidation

Merger and separation

The merger and separation of our company shall be proposed by our company's board of directors, and after being approved in accordance with the procedures as stipulated in the articles of association, proceed the relevant review and approval procedures in accordance with the law. Shareholders who stand opposed against the proposal in respect of our company's merger and/or separation shall have the right to request our company or shareholders who give consent to such proposal to purchase the shares held by them at a fair price.

The contents of the resolution in respect of our company's merger and/or separation shall be prepared into specific documents and made available for shareholders' inspection. In the case of a Hong Kong listed company, the aforesaid documents shall also be served by emails to its overseas listed foreign shareholders.

Th company may conduct merger by way of absorption merger and establishment merger.

In our company's merger, each party thereto shall enter into a merger agreement and prepare balance sheet and property list. Our company shall inform its creditors within ten days as of the date on which the resolution of merger is made and publish it on newspaper within 30 days. The creditors, within 30 days upon receiving such notice, or in the case of failure of receipt within 45 days as of the date of announcement, may request our company to pay off its debts or provide corresponding guarantees.

After our company's merger, the credit rights and debts of each party thereto shall be succeeded by our company existing or newly established after the merger.

Where our company separates, its properties shall be split accordingly.

In our company's separation, each party thereto shall enter into a separation agreement and prepare balance sheet and property list. Our company shall inform its creditors within ten days as of the date on which the resolution of separation is made and publish it on newspaper within 30 days.

The debts of our company prior to the separation shall be jointly borne by our company after the separation. However, in the case of any written agreement in respect of debts settlement reached by and between our company and its creditors prior to the separation, such agreement shall prevail.

Where registration matters are changed due to our company's merger or separation, such changes shall be filed with our company's registration authority in accordance with the law. In the event of dissolution, our company shall proceed registration cancellation in accordance with the law, while in the case of establishment of new companies, our company shall proceed the establishment registration in accordance with the law.

Dissolution and liquidation

Our company shall dissolve and proceed liquidation in accordance with the law under any of the following circumstances:

- (1) its business terms expire and other dissolution matters as stipulated by the articles of association arise;
- (2) the general meeting decides to dissolve by special resolution;

- (3) our company needs to be dissolved due to merger or separation;
- (4) our company is unable to settle its debts as due and is announced by law bankruptcy;
- (5) its business permit is revoked and our company is ordered to be closed or cancelled;
- (6) our company encounters great difficulties in operation and management, in which case to exist will significantly harm the interests of shareholders yet there are no other ways to solve it, shareholders holding more than 10% of total voting rights in our company may apply to the people's court to dissolve our company.

Under the circumstance as stipulated in paragraph (1), our company may exist by revising its articles of association. When so revising the articles of association, relevant amendments shall be approved by more than two-thirds of the voting rights held by the shareholders present at the general meeting.

Where our company dissolves under the preceding paragraphs (1), (2), (5) and (6), a liquidation group shall be established within 15 days. Members of the liquidation group shall consist of directors or such persons as the general meeting may determine. In the case of overdue establishment, the creditors may apply to the people's court to appoint relevant persons to form the liquidation group.

Where our company dissolves under the preceding paragraph (4), the people's court may, in accordance with the applicable laws, organize shareholders, relevant authorities and relevant professionals to form the liquidation group.

If the board of directors decides to proceed liquidation (other than as a result of bankruptcy), it shall include a statement in the notice convening a general meeting for such purpose stating that, the board of directors has carried forward all-around investigations on our company's positions and is of the view that our company has the ability to pay off its debts in full within twelve months upon the commencement of the liquidation.

After the resolution of liquidation is approved at the general meeting, the duties and authorities of the board of directors of our company shall be terminated immediately.

The liquidation group shall follow the directions of the general meeting to report at least once every year to the general meeting on the revenue and expenses of the liquidation group, the businesses of our company and the progress of the liquidation, and make the final report to the general meeting at the end of the liquidation.

During the liquidation period, the liquidation committee shall exercise the following functions and powers:

- (1) to sort out our Company's assets and prepare a balance sheet and an inventory of assets respectively;
- (2) to notify creditors by notice or public announcements;

- (3) to dispose of and liquidate any unfinished businesses of our Company;
- (4) to pay outstanding taxes and taxes incurred during the liquidation process;
- (5) to settle claims and debts;
- (6) to deal with the remaining assets after our Company's debts having been settled in full;
- (7) to represent our Company in any civil proceedings.

The liquidation committee shall within 10 days of its establishment send a notice to creditors, and within 60 days of its establishment make a public announcement on a newspaper. The creditors may declare their claims to the liquidation committee within 30 days from the date they receive such notice or within 45 days from the date of announcement if no such notice is received.

When declaring the claims, the creditors shall specify the relevant matters about the claims and provide evidence. The liquidation committee shall register such claims. During the period of declaration of claims, the liquidation committee shall not repay any debts to the creditors.

The liquidation committee shall, after examining our Company's assets and preparing the balance sheets and an inventory of assets, formulate a liquidation plan and present it to the shareholders' general meeting or the relevant governing authority for confirmation.

The assets of our Company shall be applied for liquidation in the following order: payment of liquidation expenses, staff wages, social insurance expenses and statutory compensation, payment of outstanding taxes, and payment of our Company's debts.

The remaining assets of our Company after repayment of its debts in accordance with the preceding provision shall be distributed to the shareholders of our Company according to the class of shares held by them and in proportion to their respective shareholdings.

During the liquidation period, our Company continues to exist but shall not commence any business activities other than liquidation. No assets of our Company may be distributed to the shareholders before making repayments stipulated in the preceding paragraphs.

If the liquidation committee, having examined our Company's assets and having prepared a balance sheet and an inventory of assets, discovers that our Company's assets are insufficient to pay its debts in full, it shall immediately apply to the people's court for a declaration of insolvency.

After the people's court has declared our Company insolvent, the liquidation committee shall turn over any matters regarding the liquidation to the people's court.

Following the completion of liquidation, the liquidation committee shall prepare a report on liquidation and a statement of the receipts and payments and financial books during the period of liquidation, which shall be examined and verified by the PRC certified public accountants and submitted to the shareholders' general meeting or the people's court for confirmation.

The liquidation committee shall within 30 days after such confirmation of the shareholders' general meeting or relevant governing authority, submit the preceding documents to our company registration authority and apply for cancellation of registration of our Company, and publish an announcement relating to the termination of our Company.

Amendments to the Articles of Association

Our Company may amend the Articles of Association according to the provisions of laws, administrative regulations and the Articles of Association. Our Company shall amend the Articles of Association in any of the following circumstances:

- (1) the provisions of the Articles of Association are in conflict with those of the Company Law or the relevant laws or administrative regulations following their amendment;
- (2) any change in the position of our Company, resulting in inconsistency with the records in the Articles of Association;
- (3) it is decided at the shareholders' meeting to amend the Articles of Association.

The following procedures shall be followed when amending the Articles of Association:

- (1) The Board of Directors shall firstly adopt a resolution for amendment to the Articles of Association and prepare a proposal for amendment to the Articles of Association;
- (2) The Board of Directors shall convene a shareholders' general meeting for voting on such proposal thereat;
- (3) The shareholders' general meeting shall approve such proposal by special resolution;
- (4) Our Company shall submit the amended Articles of Association to our company registration authority for record.

Amendment to the Articles of Association which involves the contents of the Mandatory Provisions shall become effective upon approval by the companies approving department authorized by the State Council and securities committee of the State Council. Where amendment involves the registered particulars of our Company, application shall be made for alteration of registration in accordance with the laws.

Settlement of Disputes

Unless otherwise stipulated in the Article of Association, our Company shall act according to the following principles to settle disputes:

- (1) For any disputes or claims of rights between holders of overseas-listed foreign shares and our Company; between holders of overseas-listed foreign shares and the directors, supervisors, the president or other senior management officers of our Company; between holders of overseas-listed foreign shares and holders of domestic shares, that arise based on the rights and obligations stipulated in the Articles of Association, the PRC Company Law and other relevant laws and administrative regulations, any such disputes or claims of rights relevant to the affairs of our Company shall be referred by the relevant parties to arbitration.

Where the abovementioned dispute or claim of rights is referred to arbitration, it shall be the entire claim or dispute, and all persons (being our Company or shareholders, directors, supervisors, the president or other senior management officers of our Company), who have a cause of action based on the same facts giving rise to the dispute or claim of rights or whose participation is necessary for the resolution of such dispute or claim of rights, shall abide by arbitration.

Disputes regarding definition of shareholders and register of shareholders may be resolved other than by way of arbitration.

- (2) The claimant may refer the arbitration to either the China International Economic and Trade Arbitration Commission in accordance with its arbitration rules or the Hong Kong International Arbitration Centre in accordance with its securities arbitration rules. Once a claimant refers a dispute or claim of rights to arbitration, the other party must submit to the arbitral body elected by the claimant.

If the claimant refers the arbitration to the Hong Kong International Arbitration Centre, either party may request the arbitration to be conducted in Shenzhen in accordance with the securities arbitration rules of the Hong Kong International Arbitration Centre.

- (3) If any disputes or claims of rights arising out of Item (1) above are settled by way of arbitration, the laws of the PRC shall apply, save as otherwise provided in laws and administrative regulations.
- (4) The decision made by the arbitral body shall be final and conclusive, and shall be binding on all parties.

1. FURTHER INFORMATION ABOUT OUR COMPANY**A. Incorporation**

Our Company was established in Changzhou City, Jiangsu Province, the PRC as a limited liability company on December 8, 2015 with an initial registered capital of RMB4,000 million. On November 10, 2021, our Company was converted to a joint stock company with limited liability under the PRC Company Law. Accordingly, our corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. A summary of the relevant aspects of laws and regulations of the PRC and our Articles of Association is set out in Appendix IV and Appendix V to this prospectus, respectively.

We have established a principal place of business in Hong Kong at 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong, and have been registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on January 24, 2022. Mr. Cheung Kai Cheong Willie has been appointed as our authorized representative for the acceptance of services of process and notices on behalf of our Company in Hong Kong.

B. Changes in the Share Capital of our Company

As of the date of our incorporation, our registered capital was RMB4,000 million. On November 10, 2021, our Company was converted into a joint stock company with limited liability. Our registered capital was RMB1,200 million divided into 1,200,000,000 Shares with a nominal value of RMB1.00 each.

The following sets out the changes in the issued share capital of our Company during the two years immediately preceding the date of this prospectus:

1. On March 16, 2020, the registered capital of our Company was increased from RMB6,396.73 million to approximately RMB6,996.55 million, and the newly issued registered capital was subscribed by Jinyuan Investment at the consideration of RMB600 million.
2. On December 15, 2020, the registered capital of our Company was increased from RMB6,996.55 million to approximately RMB12,768.77 million, and the newly issued registered capital was subscribed by Jinsha Investment, Huake Engineering, a group of new Pre-IPO Investors and a group of new Employee Shareholding Platforms at the aggregate consideration of approximately RMB5,941.35 million.
3. On November 10, 2021 the registered capital of our Company decreased from RMB12,768.77 million to RMB1,200 million and on the same day, the registered capital of our Company was converted into 1,200,000,000 Shares with a nominal value of RMB1.00 each.

4. On November 12, 2021, the registered capital of our Company was increased from RMB1,200 million to approximately RMB1,506.46 million, and the newly issued capital was subscribed by Xiaomi Yangtze River Industry, Jintan International, Changzhou Lihang Kaibo No. 11, Luoyang Company Minority Shareholders and a group of new Pre-IPO Investors at the aggregate consideration of approximately RMB12,769.02 million.

Upon completion of the Global Offering, without taking into account any H Shares which may be issued pursuant to the Over-allotment Option, our share capital will be increased to RMB1,772,301,858, comprising 1,506,456,558 Domestic Shares and 265,845,300 H Shares, representing 85.0% and 15.0% of our share capital, respectively.

For further details, please see “History, Development and Corporate Structure” of this prospectus. Save as disclosed above, there has been no alteration in the share capital of our Company during the two years immediately preceding the date of this prospectus.

C. Our Subsidiaries

(a) Subsidiaries

Certain details of our subsidiaries are set forth in the Accountant’s Report in Appendix I to this prospectus. Save for the subsidiaries mentioned in the Accountant’s Report set out in Appendix I to this prospectus, our Company has no other subsidiary.

(b) Changes in the share capital of subsidiaries

There has been no alteration in the share capital of any of our subsidiaries within the two years immediately preceding the date of this prospectus.

D. Resolutions of our Shareholders dated December 25, 2021

On December 25, 2021, the Shareholders of our Company passed, among other things, the following resolutions:

- (a) the issue by our Company of our H Shares of nominal value of RMB1.00 each. Subject to the requirement of the Listing Rules, the amount of our H Shares to be issued under the Global Offering is not less than 15% of the total issued share capital and the Over-allotment Option granted is no more than 14% of the number of our H Shares issued under the Global Offering, i.e. the issue of in aggregate of not more than 303,063,500 Shares;

- (b) subject to the completion of the Global Offering, the Articles of Association have been approved and adopted, which shall only become effective from the Listing Date, and the Board and its authorized person has been authorized to amend the Articles of Association in accordance with any comments from the Stock Exchange and the relevant PRC regulatory authorities; and
- (c) approving the Board and its authorized person to handle all matters relating to, among other things, the issue of our H Shares and the Listing of our H Shares on the Stock Exchange.

2. FURTHER INFORMATION ABOUT OUR BUSINESS

A. Summary of our Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within two years preceding the date of this prospectus which are or may be material, and a copy of each has been delivered to the Registrar of Companies in Hong Kong for registration:

- (1) our Company, Jinsha Investment, Chengfei Integration, Lihang Jinzhi, Huake Investment, Jinyuan Industry, Jinyuan Investment and China Insurance Investment Advanced Manufacturing entered into a capital increase agreement dated November 10, 2020, pursuant to which, China Insurance Investment Advanced Manufacturing agreed to subscribe for our Company's increased registered capital of approximately RMB553.77 million at a consideration of RMB570 million;
- (2) our Company, Jinsha Investment, Chengfei Integration, Lihang Jinzhi, Huake Investment, Jinyuan Industry, Jinyuan Investment and Chenyi Pengqi entered into a capital increase agreement dated November 10, 2020, pursuant to which, Chenyi Pengqi agreed to subscribe for our Company's increased registered capital of approximately RMB334.21 million at a consideration of RMB344 million;
- (3) our Company, Jinsha Investment, Chengfei Integration, Lihang Jinzhi, Huake Investment, Jinyuan Industry, Jinyuan Investment and China Insurance Investment No. 1 New Energy entered into a capital increase agreement dated November 10, 2020, pursuant to which, China Insurance Investment No. 1 New Energy agreed to subscribe for our Company's increased registered capital of approximately RMB301.18 million at a consideration of RMB310 million;
- (4) our Company, Jinsha Investment, Chengfei Integration, Lihang Jinzhi, Huake Investment, Jinyuan Industry, Jinyuan Investment and Xiaomi Yangtze River Industry entered into a capital increase agreement dated November 10, 2020, pursuant to which, Xiaomi Yangtze River Industry agreed to subscribe for our Company's increased registered capital of approximately RMB291.46 million at a consideration of RMB300 million;

- (5) our Company, Jinsha Investment, Chengfei Integration, Lihang Jinzhi, Huake Investment, Jinyuan Industry, Jinyuan Investment and Link Cornerstone entered into a capital increase agreement dated November 10, 2020, pursuant to which, Link Cornerstone agreed to subscribe for our Company's increased registered capital of approximately RMB174.88 million at a consideration of RMB180 million;
- (6) our Company, Jinsha Investment, Chengfei Integration, Lihang Jinzhi, Huake Investment, Jinyuan Industry, Jinyuan Investment and Ma'anshan Cornerstone entered into a capital increase agreement dated November 10, 2020, pursuant to which, Ma'anshan Cornerstone agreed to subscribe for our Company's increased registered capital of approximately RMB141.84 million at a consideration of RMB146 million;
- (7) our Company, Jinsha Investment, Chengfei Integration, Lihang Jinzhi, Huake Investment, Jinyuan Industry, Jinyuan Investment and China Insurance Investment No. 2 New Energy entered into a capital increase agreement dated November 10, 2020, pursuant to which, China Insurance Investment No. 2 New Energy agreed to subscribe for our Company's increased registered capital of approximately RMB97.15 million at a consideration of RMB100 million;
- (8) our Company, Jinsha Investment, Chengfei Integration, Lihang Jinzhi, Huake Investment, Jinyuan Industry, Jinyuan Investment and China Insurance Investment Strategic Emerging entered into a capital increase agreement dated November 10, 2020, pursuant to which, China Insurance Investment Strategic Emerging agreed to subscribe for our Company's increased registered capital of approximately RMB97.15 million at a consideration of RMB100 million;
- (9) our Company, Jinsha Investment, Chengfei Integration, Lihang Jinzhi, Huake Investment, Jinyuan Industry, Jinyuan Investment and Ma'anshan Shengtuo entered into a capital increase agreement dated November 10, 2020, pursuant to which, Ma'anshan Shengtuo agreed to subscribe for our Company's increased registered capital of approximately RMB38.86 million at a consideration of RMB40 million;
- (10) our Company, Jinsha Investment, Chengfei Integration, Lihang Jinzhi, Huake Investment, Jinyuan Industry, Jinyuan Investment and Getian Star entered into a capital increase agreement dated November 10, 2020, pursuant to which, Getian Star agreed to subscribe for our Company's increased registered capital of approximately RMB33.03 million at a consideration of RMB34 million;
- (11) our Company, Jinsha Investment, Chengfei Integration, Lihang Jinzhi, Huake Investment, Jinyuan Industry, Jinyuan Investment and Huaxian Automobile entered into a capital increase agreement dated November 10, 2020, pursuant to which, Huaxian Automobile agreed to subscribe for our Company's increased registered capital of approximately RMB19.43 million at a consideration of RMB20 million;

- (12) our Company, Chengfei Integration, Lihang Jinzhi, Huake Investment, Jinyuan Industry, Jinyuan Investment and Jinsha Investment entered into a capital increase agreement dated November 13, 2020, pursuant to which, Jinsha Investment agreed to subscribe for our Company's increased registered capital of approximately RMB631.50 million at a consideration of RMB650 million;
- (13) our Company, Jinsha Investment, Chengfei Integration, Lihang Jinzhi, Huake Investment, Jinyuan Industry, Jinyuan Investment and Huake Engineering entered into a capital increase agreement dated November 13, 2020, pursuant to which, Huake Engineering agreed to subscribe for our Company's increased registered capital of approximately RMB1,049.79 million at a consideration of approximately RMB1,080.55 million;
- (14) our Company, Jinsha Investment, Chengfei Integration, Lihang Jinzhi, Huake Investment, Jinyuan Industry, Jinyuan Investment and Guangqi Ruidian entered into a capital increase agreement dated November 16, 2020, pursuant to which, Guangqi Ruidian agreed to subscribe for our Company's increased registered capital of approximately RMB680.07 million at a consideration of RMB700 million;
- (15) our Company, Jinsha Investment, Chengfei Integration, Lihang Jinzhi, Huake Investment, Jinyuan Industry, Jinyuan Investment and Hongshan Kaichen entered into a capital increase agreement dated November 19, 2020, pursuant to which, Hongshan Kaichen agreed to subscribe for our Company's increased registered capital of approximately RMB388.61 million at a consideration of RMB400 million;
- (16) our Company, Jinsha Investment, Chengfei Integration, Lihang Jinzhi, Huake Investment, Jinyuan Industry, Jinyuan Investment and Xiamen Lihang Kaibo No. 1 entered into a capital increase agreement dated November 19, 2020, pursuant to which, Xiamen Lihang Kaibo No. 1 agreed to subscribe for the increased registered capital of our Company of approximately RMB61.11 million at a consideration of RMB62.90 million;
- (17) our Company, Jinsha Investment, Chengfei Integration, Lihang Jinzhi, Huake Investment, Jinyuan Industry, Jinyuan Investment and Changzhou Lihang Kaibo No. 1 entered into a capital increase agreement dated November 19, 2020, pursuant to which, Changzhou Lihang Kaibo No. 1 agreed to subscribe for the increased registered capital of our Company of approximately RMB17.78 million at a consideration of RMB18.30 million;

- (18) our Company, Jinsha Investment, Chengfei Integration, Lihang Jinzhi, Huake Investment, Jinyuan Industry, Jinyuan Investment and Changzhou Lihang Kaibo No. 2 entered into a capital increase agreement dated November 19, 2020, pursuant to which, Changzhou Lihang Kaibo No. 2 agreed to subscribe for the increased registered capital of our Company of approximately RMB13.70 million at a consideration of RMB14.10 million;
- (19) our Company, Jinsha Investment, Chengfei Integration, Lihang Jinzhi, Huake Investment, Jinyuan Industry, Jinyuan Investment and Changzhou Lihang Kaibo No. 3 entered into a capital increase agreement dated November 19, 2020, pursuant to which, Changzhou Lihang Kaibo No. 3 agreed to subscribe for the increased registered capital of our Company of approximately RMB11.17 million at a consideration of RMB11.50 million;
- (20) our Company, Jinsha Investment, Chengfei Integration, Lihang Jinzhi, Huake Investment, Jinyuan Industry, Jinyuan Investment and Changzhou Lihang Kaibo No. 4 entered into a capital increase agreement dated November 19, 2020, pursuant to which, Changzhou Lihang Kaibo No. 4 agreed to subscribe for the increased registered capital of our Company of approximately RMB13.50 million at a consideration of RMB13.90 million;
- (21) our Company, Jinsha Investment, Chengfei Integration, Lihang Jinzhi, Huake Investment, Jinyuan Industry, Jinyuan Investment and Changzhou Lihang Kaibo No. 5 entered into a capital increase agreement dated November 19, 2020, pursuant to which, Changzhou Lihang Kaibo No. 5 agreed to subscribe for the increased registered capital of our Company of approximately RMB25.75 million at a consideration of RMB26.50 million;
- (22) our Company, Jinsha Investment, Chengfei Integration, Lihang Jinzhi, Huake Investment, Jinyuan Industry, Jinyuan Investment and Changzhou Lihang Kaibo No. 6 entered into a capital increase agreement dated November 19, 2020, pursuant to which, Changzhou Lihang Kaibo No. 6 agreed to subscribe for the increased registered capital of our Company of approximately RMB17.20 million at a consideration of RMB17.70 million;
- (23) our Company, Jinsha Investment, Chengfei Integration, Lihang Jinzhi, Huake Investment, Jinyuan Industry, Jinyuan Investment and Changzhou Lihang Kaibo No. 7 entered into a capital increase agreement dated November 19, 2020, pursuant to which, Changzhou Lihang Kaibo No. 7 agreed to subscribe for the increased registered capital of our Company of approximately RMB6.41 million at a consideration of RMB6.60 million;

- (24) our Company, Jinsha Investment, Chengfei Integration, Lihang Jinzhi, Huake Investment, Jinyuan Industry, Jinyuan Investment and Changzhou Lihang Kaibo No. 8 entered into a capital increase agreement dated November 19, 2020, pursuant to which, Changzhou Lihang Kaibo No. 8 agreed to subscribe for the increased registered capital of our Company of approximately RMB21.37 million at a consideration of RMB22 million;
- (25) our Company, Jinsha Investment, Chengfei Integration, Lihang Jinzhi, Huake Investment, Jinyuan Industry, Jinyuan Investment and Changzhou Lihang Kaibo No. 9 entered into a capital increase agreement dated November 19, 2020, pursuant to which, Changzhou Lihang Kaibo No. 9 agreed to subscribe for the increased registered capital of our Company of approximately RMB9.23 million at a consideration of RMB9.50 million;
- (26) our Company, Jinsha Investment, Chengfei Integration, Lihang Jinzhi, Huake Investment, Jinyuan Industry, Jinyuan Investment and Changzhou Lihang Kaibo No. 10 entered into a capital increase agreement dated November 19, 2020, pursuant to which, Changzhou Lihang Kaibo No. 10 agreed to subscribe for the increased registered capital of our Company of approximately RMB7.58 million at a consideration of RMB7.80 million;
- (27) our Company, Jinsha Investment, Chengfei Integration, Lihang Jinzhi, Huake Investment, Jinyuan Industry, Jinyuan Investment and Jinli Investment entered into a capital increase agreement dated November 23, 2020, pursuant to which, Jinli Investment agreed to subscribe for our Company's increased registered capital of approximately RMB136.01 million at a consideration of RMB140 million;
- (28) our Company, Jinsha Investment, Chengfei Integration, Lihang Jinzhi, Huake Investment, Jinyuan Industry, Jinyuan Investment and Guolian Tongjin entered into a capital increase agreement dated December 9, 2020, pursuant to which, Guolian Tongjin agreed to subscribe for our Company's increased registered capital of approximately RMB375.01 million at a consideration of RMB386 million;
- (29) our Company, Jinsha Investment, Chengfei Integration, Lihang Jinzhi, Huake Investment, Jinyuan Industry, Jinyuan Investment and Guolian Tongkun entered into a capital increase agreement dated December 9, 2020, pursuant to which, Guolian Tongkun agreed to subscribe for our Company's increased registered capital of approximately RMB109.78 million at a consideration of RMB113 million;
- (30) our Company, Jinsha Investment, Chengfei Integration, Lihang Jinzhi, Huake Investment, Jinyuan Industry, Jinyuan Investment and Guolian Tongwu entered into a capital increase agreement dated December 14, 2020, pursuant to which, Guolian Tongwu agreed to subscribe for our Company's increased registered capital of approximately RMB113.67 million at a consideration of RMB117 million;

- (31) our Company and Luoyang Xinghang entered into an equity transfer agreement dated December 24, 2020, pursuant to which, Luoyang Xinghang agreed to transfer its 1.01% equity interests in Luoyang Company to our Company at a consideration of approximately RMB22.52 million;
- (32) our Company and Hainan Qingshan entered into a capital increase agreement dated July 25, 2021, pursuant to which, Hainan Qingshan agreed to subscribe for 12,000,000 Shares at a consideration of RMB500 million;
- (33) our Company and Hainan Huaping entered into a capital increase agreement dated July 26, 2021 (“**Hainan Huaping Capital Increase Agreement**”), pursuant to which, Hainan Huaping agreed to subscribe for 11,040,000 Shares at a consideration of RMB460 million;
- (34) our Company and Huzhou Haifa entered into a capital increase agreement dated July 26, 2021, pursuant to which, Huzhou Haifa agreed to subscribe for 9,600,000 Shares at a consideration of RMB400 million;
- (35) our Company and Chuanghe Xincui entered into a capital increase agreement dated July 26, 2021, pursuant to which, Chuanghe Xincui agreed to subscribe for 7,200,000 Shares at a consideration of RMB300 million;

- (36) our Company and Yiwu Lexin entered into a capital increase agreement dated July 26, 2021, pursuant to which, Yiwu Lexin agreed to subscribe for 7,200,000 Shares at a consideration of RMB300 million;
- (37) our Company and Xiaomi Yangtze River Industry entered into a capital increase agreement dated July 27, 2021, pursuant to which, Xiaomi Yangtze River Industry agreed to subscribe for 12,000,000 Shares at a consideration of RMB500 million;
- (38) our Company and Wuhan Jingkai Investment entered into a capital increase agreement dated July 28, 2021, pursuant to which, Wuhan Jingkai Investment agreed to subscribe for 12,000,000 Shares at a consideration of RMB500 million;
- (39) our Company and Guoshou Private Equity entered into a capital increase agreement dated July 29, 2021, pursuant to which, Guoshou Private Equity agreed to subscribe for 12,000,000 Shares at a consideration of RMB500 million;
- (40) our Company and Nanjing Xing Na Zhou entered into a capital increase agreement dated July 29, 2021, pursuant to which, Nanjing Xing Na Zhou agreed to subscribe for 12,000,000 Shares at a consideration of RMB500 million;
- (41) our Company and Three Gorges Capital entered into a capital increase agreement dated July 30, 2021, pursuant to which, Three Gorges Capital agreed to subscribe for 12,000,000 Shares at a consideration of RMB500 million;

- (42) our Company and Manufacturing Transform and Upgrade Fund entered into a capital increase agreement dated August 3, 2021, pursuant to which, Manufacturing Transform and Upgrade Fund agreed to subscribe for 23,976,000 Shares at a consideration of RMB999 million;
- (43) our Company and Hanshi Precision entered into a capital increase agreement dated August 4, 2021, pursuant to which, Hanshi Precision agreed to subscribe for 10,800,000 Shares at a consideration of RMB450 million;
- (44) our Company and Aviation Industry Integration Fund entered into a capital increase agreement dated August 5, 2021, pursuant to which, Aviation Industry Integration Fund agreed to subscribe for 12,000,000 Shares at a consideration of RMB500 million;
- (45) our Company and Jiaxing Xingneng entered into a capital increase agreement dated August 6, 2021, pursuant to which, Jiaxing Xingneng agreed to subscribe for 12,000,000 Shares at a consideration of RMB500 million;
- (46) our Company and Chuangyi Shengtun entered into a capital increase agreement dated August 9, 2021, pursuant to which, Chuangyi Shengtun agreed to subscribe for 24,000,000 Shares at a consideration of RMB1,000 million;
- (47) our Company and Hainan Huaping entered into a supplemental capital increase agreement dated August 10, 2021 to amend certain terms of the Hainan Huaping Capital Increase Agreement, pursuant to which, Hainan Huaping agreed to subscribe for 15,840,000 Shares at a consideration of RMB660 million;

- (48) our Company and Wuhan Industrial Investment Zhongjing entered into a capital increase agreement dated August 13, 2021, pursuant to which, Wuhan Industrial Investment Zhongjing agreed to subscribe for 4,320,000 Shares at a consideration of RMB180 million;
- (49) our Company and Jintan International entered into a capital increase agreement dated August 16, 2021, pursuant to which, Jintan International agreed to subscribe for 24,000,000 Shares at a consideration of RMB1,000 million;
- (50) our Company and Dongtou Liying entered into a capital increase agreement dated August 17, 2021, pursuant to which, Dongtou Liying agreed to subscribe for 9,600,000 Shares at a consideration of RMB400 million;
- (51) our Company and Xiamen Jinli No. 2 entered into a capital increase agreement dated August 19, 2021, pursuant to which, Xiamen Jinli No. 2 agreed to subscribe for 24,000,000 Shares at a consideration of RMB1,000 million;
- (52) our Company and Chengdu Heavy Industry Longjin entered into a capital increase agreement dated August 19, 2021, pursuant to which, Chengdu Heavy Industry Longjin agreed to subscribe for 12,000,000 Shares at a consideration of RMB500 million;
- (53) our Company and Dahou Cornerstone entered into a capital increase agreement dated August 20, 2021, pursuant to which, Dahou Cornerstone agreed to subscribe for 6,021,600 Shares at a consideration of RMB250.90 million;
- (54) our Company and Hunan Dice Honggang Fund entered into a capital increase agreement dated August 23, 2021, pursuant to which, Hunan Dice Honggang Fund agreed to subscribe for 4,800,000 Shares at a consideration of RMB200 million;

- (55) our Company and Changzhou Lihang Kaibo No. 11 entered into a capital increase agreement dated September 1, 2021, pursuant to which, Changzhou Lihang Kaibo No. 11 agreed to subscribe for 8,642,400 Shares at a consideration of RMB360.10 million;
- (56) our Company and Hongdu Airline entered into a capital increase agreement dated October 15, 2021, pursuant to which, Hongdu Airline agreed to subscribe for 1,380,608 Shares in consideration of transferring its approximately 1.92% equity interests in Luoyang Company (equivalent to approximately RMB57.53 million) to our Company;
- (57) our Company and Shunying Investment entered into a capital increase agreement dated October 15, 2021, pursuant to which, Shunying Investment agreed to subscribe for 3,481,314 Shares in consideration of transferring its approximately 4.84% equity interests in Luoyang Company (equivalent to approximately RMB145.05 million) to our Company;
- (58) our Company and Zhongguancun Guosheng entered into a capital increase agreement dated October 15, 2021, pursuant to which, Zhongguancun Guosheng agreed to subscribe for 2,150,116 Shares in consideration of transferring its 2.99% equity interests in Luoyang Company (equivalent to approximately RMB89.59 million) to our Company;
- (59) our Company and Aviation Investment entered into a capital increase agreement dated October 15, 2021, pursuant to which, Aviation Investment agreed to subscribe for 1,634,931 Shares in consideration of transferring its 2.27% equity interests in Luoyang Company (equivalent to approximately RMB68.12 million) to our Company;

- (60) our Company and Jincheng Technology entered into an equity transfer agreement dated October 18, 2021, pursuant to which, our Company agreed to sell and Jincheng Technology agreed to purchase 51% of the equity interests in Luoyang Company at a consideration of RMB1,530 million (the “**Luoyang Company 51% Equity Interests Transfer Agreement**”);
- (61) our Company and Missile Academy entered into a capital increase agreement dated October 20, 2021, pursuant to which, Missile Academy agreed to subscribe for 9,809,589 Shares in consideration of transferring its 13.62% equity interests in Luoyang Company (equivalent to approximately RMB408.73 million) to our Company;
- (62) Our Company and Jincheng Technology entered into a supplemental agreement dated March 2, 2022 which amended certain terms of the Luoyang Company 51% Equity Interests Transfer Agreement;
- (63) our Company and Jinhang Holding entered into an equity transfer agreement dated March 3, 2022, pursuant to which, our Company agreed to sell and Jinhang Holding agreed to purchase 49% of the equity interests in Luoyang Company at a consideration of RMB1,087.80 million;
- (64) our Company and Hunan Zhongke Electric Co., Ltd.* (湖南中科電氣股份有限公司) (“**Zhongke Electric**”) entered into a subscription agreement dated March 15, 2022, pursuant to which, our Company acquired 3,676,470 shares of Zhongke Electric at a consideration of approximately RMB100 million;
- (65) our Company, Tianqi Lithium Corporation (“**Tianqi Lithium**”), Morgan Stanley Asia Limited, China International Capital Corporation Hong Kong Securities Limited and CMB International Capital Limited entered into a cornerstone investment agreement on June 28, 2022 in respect of our Company’s subscription of certain shares in Tianqi Lithium at the investment amount of approximately US\$49.50 million;
- (66) the Non-Competition Agreement;
- (67) the Hong Kong Underwriting Agreement;
- (68) the cornerstone investment agreement dated September 21, 2022 entered into among our Company, Hefei Beicheng Construction Investment (Group) Company Limited* (合肥北城建設投資(集團)有限公司) and the Sole Sponsor, details of which are included in the section headed “Our Cornerstone Investors” in this prospectus;

- (69) the cornerstone investment agreement dated September 21, 2022 entered into among our Company, Jiangmen New Energy and the Sole Sponsor, details of which are included in the section headed “Our Cornerstone Investors” in this prospectus;
- (70) the cornerstone investment agreement dated September 21, 2022 entered into among our Company, XING FA (HONG KONG) IMP.&EXP. LIMITED and the Sole Sponsor, details of which are included in the section headed “Our Cornerstone Investors” in this prospectus;
- (71) the cornerstone investment agreement dated September 21, 2022 entered into among our Company, Tianqi Lithium HK Co., Limited and the Sole Sponsor, details of which are included in the section headed “Our Cornerstone Investors” in this prospectus;
- (72) the cornerstone investment agreement dated September 21, 2022 entered into among our Company, TMA International PTE. LTD. and the Sole Sponsor, details of which are included in the section headed “Our Cornerstone Investors” in this prospectus;
- (73) the cornerstone investment agreement dated September 21, 2022 entered into among our Company, Wang Sing International Resources Limited and the Sole Sponsor, details of which are included in the section headed “Our Cornerstone Investors” in this prospectus;
- (74) the cornerstone investment agreement dated September 21, 2022 entered into among our Company, Zhenshi Group (HK) Heshi Composite Materials Co., Limited and the Sole Sponsor, details of which are included in the section headed “Our Cornerstone Investors” in this prospectus;
- (75) the cornerstone investment agreement dated September 21, 2022 entered into among our Company, CNGR Hong Kong Material Science & Technology Co., Limited and the Sole Sponsor, details of which are included in the section headed “Our Cornerstone Investors” in this prospectus;
- (76) the cornerstone investment agreement dated September 21, 2022 entered into among our Company, Tibet Nord Technology Co., Ltd.* (西藏諾德科技有限公司) and the Sole Sponsor, details of which are included in the section headed “Our Cornerstone Investors” in this prospectus;
- (77) the cornerstone investment agreement dated September 21, 2022 entered into among our Company, Han’s Laser Technology Co., Limited and the Sole Sponsor, details of which are included in the section headed “Our Cornerstone Investors” in this prospectus;

- (78) the cornerstone investment agreement dated September 21, 2022 entered into among our Company, Changzhou Jingce New Energy Tech Co., Ltd* (常州精測新能源技術有限公司) and the Sole Sponsor, details of which are included in the section headed “Our Cornerstone Investors” in this prospectus;
- (79) the cornerstone investment agreement dated September 21, 2022 entered into among our Company, Jiangsu Pure Precision Technology Co., Ltd.* (江蘇普正精密科技有限公司) and the Sole Sponsor, details of which are included in the section headed “Our Cornerstone Investors” in this prospectus;
- (80) the cornerstone investment agreement dated September 21, 2022 entered into among our Company, Lv Lizhi (呂禮志) and the Sole Sponsor, details of which are included in the section headed “Our Cornerstone Investors” in this prospectus;
- (81) the cornerstone investment agreement dated September 21, 2022 entered into among our Company, vivo Mobile Communication Co., Ltd* (維沃移動通信有限公司) and the Sole Sponsor, details of which are included in the section headed “Our Cornerstone Investors” in this prospectus; and
- (82) the cornerstone investment agreement dated September 21, 2022 entered into among our Company, XPeng Inc., the Sole Sponsor, J.P. Morgan Securities (Asia Pacific) Limited and J.P. Morgan Securities plc, details of which are included in the section headed “Our Cornerstone Investors” in this prospectus.

B. Intellectual Property Rights**(i) Patents**

As of the Latest Practicable Date, our Group has the following patents which are considered by us to be or may be material to our business:

No.	Patent	Patent Owner(s)	Patent No.	Type	Date of Grant	Expiry Date
1.	Lithium battery cathode piece, its preparation method, and lithium battery containing such cathode piece* (一種鋰電池正極片及其製備方法和含有該正極片的鋰電池)	Our Company	201110440649.1	Invention patent	2014.09.24	2031.12.22
2.	Pre-charging formation method for lithium-ion battery* (一種鋰離子電池的預充化成方法)	Our Company	201410704571.3	Invention patent	2017.08.04	2034.11.26
3.	Battery pack sorting method* (一種電池組分選方法)	Our Company	201410492066.7	Invention patent	2016.06.22	2034.09.22
4.	Battery grouping method* (一種電池配組方法)	Our Company	201410414354.0	Invention patent	2016.09.21	2034.08.20
5.	Point contact pressure short circuit testing device for cell* (一種電芯點接觸式壓力短路測試裝置)	Our Company	201210123640.2	Invention patent	2014.07.23	2032.04.24
6.	Lithium-ion EV battery slurries mixing process* (一種鋰離子動力電池合漿工藝)	Our Company	200810188342.5	Invention patent	2012.05.30	2028.12.24
7.	Pole piece transfer device and cutting and stacking machine* (極片轉運裝置和切疊一體機)	Our Company	202111041328.4	Invention patent	2021.11.19	2041.09.06

No.	Patent	Patent Owner(s)	Patent No.	Type	Date of Grant	Expiry Date
8.	Flexible circuit device and preparation method thereof, battery device* (柔性電路器件及其製備方法、電池裝置)	Our Company	202110859242.6	Invention patent	2021.11.19	2041.07.27
9.	Conductive agent used in lithium iron phosphate battery and its preparation method* (一種磷酸鐵鋰電池用導電劑及其製備方法)	Our Company	201110030938.4	Invention patent	2013.05.01	2031.01.27
10.	A kind of lithium-ion battery replenishment method* (一種鋰離子電池補鋰方法)	Our Company	202111089914.6	Invention patent	2021.12.17	2041.09.16
11.	High-energy density ternary battery and its preparation method* (一種高能量密度三元電池及其製備方法)	Our Company	201710914648.3	Invention patent	2021.02.02	2037.09.29
12.	Preparation method of α -aluminum oxide applied to lithium-ion battery separator* (一種鋰離子電池隔膜用 α -氧化鋁的製備方法)	Our Company	201710510766.8	Invention patent	2020.08.18	2037.06.27
13.	Cathode material of lithium-ion battery, preparation method of cathode and lithium-ion battery* (鋰離子電池正極材料、正極製備方法及鋰離子電池)	Our Company	201310073175.0	Invention patent	2016.06.22	2033.03.06
14.	Low temperature electrolyte for lithium-ion battery and its preparation method* (一種鋰離子電池低溫電解液及其製備方法)	Our Company	201210287497.0	Invention patent	2015.05.13	2032.08.12

No.	Patent	Patent Owner(s)	Patent No.	Type	Date of Grant	Expiry Date
15.	Temperature control device* (一種溫度控制裝置)	Our Company	201410613801.5	Invention patent	2017.01.18	2034.11.03
16.	Lithium iron phosphate material for lithium-ion EV battery and its preparation method* (一種鋰離子動力電池用磷酸鐵鋰材料及其製備方法)	Our Company	201410594889.0	Invention patent	2016.09.21	2034.10.28
17.	Method for preparing lithium iron phosphate composite material* (一種磷酸鐵鋰複合材料的製備方法)	Our Company	201210387700.1	Invention patent	2015.12.02	2032.10.11
18.	Lithium-ion battery cell and lithium-ion battery* (一種鋰離子電池電芯及鋰離子電池)	Our Company	201510385438.0	Invention patent	2017.08.04	2035.06.29
19.	Detection method for quality of lithium battery pole pieces* (一種鋰電池極片質量檢測方法)	Our Company	201310698102.0	Invention patent	2017.04.26	2033.12.17
20.	Battery positioning tooling and battery processing device* (電池定位工裝及電池加工裝置)	Our Company	202111035869.6	Invention patent	2021.11.26	2041.09.05
21.	Mixed cathode material, cathode piece using such cathode material, and lithium-ion battery* (一種混合正極材料、使用該正極材料的正極片及鋰離子電池)	Our Company	201410105350.4	Invention patent	2017.05.31	2034.03.19
22.	PEO film and its preparation method and solid-state battery* (PEO膜及其製備方法與固態電池)	Jiangsu Research Institute	202010217510.X	Invention patent	2021.08.20	2040.03.24

No.	Patent	Patent Owner(s)	Patent No.	Type	Date of Grant	Expiry Date
23.	Preparation method of composite cathode for all-solid-state battery, composite cathode and all-solid-state battery* (全固態電池複合正極的製法、複合正極及全固態電池)	Our Company	202111035881.7	Invention patent	2021.11.19	2041.09.05
24.	Method for drying battery cell of high-capacity lithium-ion EV battery* (一種大容量鋰離子動力電池電芯的乾燥方法)	Our Company	201310292510.6	Invention patent	2016.03.23	2033.07.10
25.	Recovery method for cathode material of lithium battery* (一種鋰電池正極材料的回收方法)	Our Company	201310532433.7	Invention patent	2017.09.19	2033.10.31
26.	Detection equipment for surface defects of lithium battery pole pieces* (鋰電池極片表面缺陷檢測設備)	Our Company	201310614804.6	Invention patent	2017.06.06	2033.11.27
27.	Lithium-sulfur battery cathode material and lithium-sulfur battery* (鋰硫電池正極材料及鋰硫電池)	Jiangsu Research Institute	202011038076.5	Invention patent	2021.11.02	2040.09.27
28.	Multi-functional coating die* (一種多功能塗布模頭)	Our Company	201810463466.3	Invention patent	2021.04.13	2038.05.14
29.	High-safety lithium-ion battery anode material and its preparation method* (一種高安全性鋰離子電池負極材料及其製備方法)	Our Company	201110407617.1	Invention patent	2014.05.21	2031.12.07

No.	Patent	Patent Owner(s)	Patent No.	Type	Date of Grant	Expiry Date
30.	Coating, aqueous pliable cathode piece prepared through adopting such coating, and lithium-ion battery* (一種塗料、採用該塗料製備的水性柔韌正極片、鋰離子電池)	Our Company	201110385102.6	Invention patent	2015.08.26	2031.11.27
31.	Self-discharge detection method of lithium iron phosphate battery* (一種磷酸鐵鋰電池的自放電檢測方法)	Our Company	201410010552.0	Invention patent	2017.12.05	2034.01.08
32.	Lithium-ion battery formation method* (一種鋰離子電池化成方法)	Our Company	201710765868.4	Invention patent	2020.09.25	2037.08.29
33.	New energy vehicles and power battery packs* (新能源車輛及動力電池包)	Our Company and Jiangsu Research Institute	201811204251.6	Invention patent	2021.10.01	2038.10.15
34.	Method for setting and verifying address of battery management system* (一種電池管理系統地址設置及校驗方法)	Our Company and Jiangsu Research Institute	201811117448.6	Invention patent	2021.07.30	2038.09.19
35.	Battery cover board, battery and vehicle using such battery cover board* (一種電池蓋板及使用該電池蓋板的電池、車輛)	Our Company and Jiangsu Research Institute	201810191242.1	Invention patent	2021.04.30	2038.03.07
36.	High-temperature-resistant adhesive tape capable of preventing adhesive overflow from roller press* (一種防止輥壓溢膠的耐高溫膠帶)	Our Company and Jiangsu Research Institute	201811286018.7	Invention patent	2021.04.13	2038.10.30

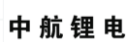


















No.	Patent	Patent Owner(s)	Patent No.	Type	Date of Grant	Expiry Date
37.	Graphite composite material and its preparation method* (一種石墨複合材料及其製備方法)	Our Company and Jiangsu Research Institute	201711125414.7	Invention patent	2020.05.19	2037.11.13
38.	Method for evaluating capacity of battery pack* (一種電池組容量評測方法)	Our Company and Jiangsu Research Institute	201910093911.6	Invention patent	2021.01.29	2039.01.29
39.	Square secondary battery cell winding method* (一種方形二次電池電芯的捲繞方法)	Our Company and Jiangsu Research Institute	201811354602.1	Invention patent	2020.12.01	2038.11.13
40.	Early warning method and system of battery module with overcharge protection device* (一種帶過充保護裝置的電池模組的預警方法及系統)	Our Company and Jiangsu Research Institute	201810678668.X	Invention patent	2021.06.01	2038.06.26
41.	Cooling method and system for power supply system* (一種動力電源系統的冷卻方法及其系統)	Our Company and Jiangsu Research Institute	201810169378.2	Invention patent	2020.09.15	2038.02.27
42.	Method of verifying battery charge and discharge control strategy based on Simscape battery pack model* (基於Simscape 電池組模型驗證電池充放電控制策略的方法)	Our Company and Jiangsu Research Institute	201711295098.8	Invention patent	2019.06.04	2037.12.07

No.	Patent	Patent Owner(s)	Patent No.	Type	Date of Grant	Expiry Date
43.	High-rate graphite anode material, its preparation method and lithium-ion battery* (一種高倍率石墨負極材料及其製備方法、鋰離子電池)	Our Company and Jiangsu Research Institute	201711166901.8	Invention patent	2020.05.19	2037.11.20
44.	Electrolyte solution for negative lithium-titanate battery, lithium-ion battery and preparation method thereof* (一種負極鈦酸鋰電池用電解液、鋰離子電池及其製備方法)	Our Company and Jiangsu Research Institute	201310034975.1	Invention patent	2016.03.23	2033.01.30
45.	Charging method of graphite anode system lithium-ion battery* (一種石墨負極體系鋰離子電池的充電方法)	Our Company and Jiangsu Research Institute	201810681112.6	Invention patent	2020.11.06	2038.06.26
46.	Preparation method for anode slurry of lithium-ion battery* (一種鋰離子電池負極漿料的製備方法)	Our Company and Jiangsu Research Institute	201410046555.X	Invention patent	2016.08.17	2034.02.09
47.	Double Reinforcement Method for Lithium Battery Lugs* (鋰電池極耳雙重加強方法)	Our Company and Jiangsu Research Institute	201810800092.X	Invention patent	2021.05.11	2038.07.19
48.	Current collector, preparation method thereof and electrochemical energy storage device* (一種集流體及其製備方法、電化學儲能裝置)	Our Company and Jiangsu Research Institute	201810542358.5	Invention patent	2021.04.30	2038.05.29

No.	Patent	Patent Owner(s)	Patent No.	Type	Date of Grant	Expiry Date
49.	Silicon composite material for lithium-ion battery and its preparation method and lithium battery* (一種鋰電池用硅複合材料及其製備方法、鋰電池)	Our Company and Jiangsu Research Institute	201711230898.1	Invention patent	2020.06.05	2037.11.28
50.	Applications of high-nickel ternary cathode material in carbon nanotube preparation as catalyst, cathode material, its preparation method, and lithium-ion battery* (高鎳三元正極材料作為催化劑在製備碳納米管方面的應用、正極材料及其製備方法、鋰電池)	Our Company and Jiangsu Research Institute	201810167828.4	Invention patent	2020.09.15	2038.02.27
51.	Softening agent for lithium-ion battery pole piece* (一種用於鋰離子電池極片的軟化劑)	Our Company and Jiangsu Research Institute	201711475957.1	Invention patent	2020.04.21	2037.12.28
52.	Current Limiting Strategy of Communication Battery Module Charging* (通信電池模塊充電限流策略)	Our Company and Jiangsu Research Institute	201810143944.2	Invention patent	2020.12.25	2038.02.11
53.	Daisy chain communication fault diagnosis and processing method for battery management system* (一種電池管理系統菊花鏈通信故障診斷及處理方法)	Our Company and Jiangsu Research Institute	201810926268.6	Invention patent	2021.06.04	2038.08.14

No.	Patent	Patent Owner(s)	Patent No.	Type	Date of Grant	Expiry Date
54.	Battery management system loop interlock and slave control address setting method* (電池管理系統環路互鎖及從控地址設置方法)	Our Company and Jiangsu Research Institute	201810117868.8	Invention patent	2020.02.14	2038.02.05
55.	Winding needle and winding method for improving deformation of wound cell* (改善捲繞電芯變形的捲針以及捲繞方法)	Our Company and Jiangsu Research Institute	201810764329.3	Invention patent	2020.09.22	2038.07.11
56.	Anti-wrinkle device and anti-wrinkle method for lithium battery pole piece rolling* (一種鋰電池極片輥壓防皺裝置及防皺方法)	Jiangsu Research Institute and the Company	201811072186.6	Invention patent	2020.10.02	2038.09.13
57.	Battery and its lug body, and battery module using such battery* (電池及其極耳片體、使用該電池的電池模組)	Jiangsu Research Institute and the Company	201711270584.4	Invention patent	2020.12.01	2037.12.04
58.	Lithium-ion battery electrolyte and lithium-ion battery* (一種鋰離子電池電解液、鋰離子電池)	Jiangsu Research Institute and the Company	201711311478.6	Invention patent	2020.04.10	2037.12.10

(ii) Trademarks

No.	Trademark	Registered Owner	Class(es)	Registration Number	Registration Date	Expiry Date	Place of Registration
1.		Our Company	9	7887901	2011.03.21	2031.03.20	PRC
2.		Our Company	9	7887911	2011.03.07	2031.03.06	PRC
3.		Our Company	9	14750055	2015.06.28	2025.06.27	PRC
4.		Our Company	9	23278302	2018.03.14	2028.03.13	PRC
5.		Our Company	9	51574547	2021.08.21	2031.08.20	PRC
6.		Our Company	17	51580907	2021.07.21	2031.07.20	PRC
7.		Our Company	6	51584775	2021.07.21	2031.07.20	PRC
8.		Our Company	12	51586856	2021.08.21	2031.08.20	PRC
9.		Our Company	42	51587249	2021.07.21	2031.07.20	PRC
10.		Our Company	1	51594908	2021.08.14	2031.08.13	PRC
11.		Our Company	9	53508028	2021.09.14	2031.09.13	PRC
12.		Our Company	9	56664236	2021.12.28	2031.12.27	PRC
13.		Jiangsu Research Institute	9	56529565	2021.12.28	2031.12.27	PRC
14.		Jiangsu Research Institute	9	53786350	2021.09.21	2031.09.20	PRC
15.		Our Company	9	661648	2014.07.28	2024.07.20	Switzerland
16.		Our Company	9	1636128	2014.07.23	2024.07.23	Australia
17.		Our Company	9	1698851	2015.04.01	2025.03.31	Taiwan
18.		Our Company	9, 42	353473	2016.06.08	2026.01.05	Czech Republic
19.		Our Company	1, 6, 9, 12, 17, 35, 42	756089	2020.12.04	2030.12.03	Switzerland

No.	Trademark	Registered Owner	Class(es)	Registration Number	Registration Date	Expiry Date	Place of Registration
20.	CALB	Our Company	6, 17, 35, 42	305594716	2021.04.16	2031.04.15	Hong Kong
21.	CALB	Our Company	1, 9, 12	305459888	2020.11.25	2030.11.24	Hong Kong

(iii) Domain Names

As of the Latest Practicable Date, the following domain names have been registered in the name of our Company which are considered by us to be or may be material to our business:

No.	Domain Name	Registered Owner	Approval Date
1.	calbjs.cn	Our Company	2019.10.28
2.	calbjs.com	Our Company	2019.10.28
3.	calb-tech.com	Our Company	2019.10.28
4.	calbri.cn	Our Company	2019.10.28

(iv) Software Copyrights

As of the Latest Practicable Date, the following software copyrights have been registered in the name of our Company which are considered by us to be or may be material to our business:

No.	Software Copyright	Registered Owner	Registration Number	Registration Date
1.	CALB Material Emulation Full-Sight Rendering Software [Abbreviation: CMSR] V1.0* (中航鋰電材料仿真全視角渲染軟件 V1.0)	Our Company	2021SR1426963	2021.09.24
2.	CALB Specialised Equivalent Circuit Calculating Software [Abbreviation: CECC] V1.0* (中航鋰電專用等效電路計算器軟件 V1.0)	Our Company	2021SR1427121	2021.09.24

No.	Software Copyright	Registered Owner	Registration Number	Registration Date
3.	BMS Automatic Configuration Software V1.0* (BMS自動配置軟件 V1.0)	Our Company	2020SR1616623	2020.11.20
4.	BMS Follow Plate Monitor Software V1.0* (BMS從板監控軟件V1.0)	Our Company	2020SR1616622	2020.11.20
5.	Battery SOH Calculation Program of Battery Management System V1.0* (電池管理系統電池 SOH計算程序V1.0)	Our Company	2020SR1617763	2020.11.20
6.	Battery SOC Calculation Program of Battery Management System V1.0* (電池管理系統電池 SOC計算程序V1.0)	Our Company	2020SR1617762	2020.11.20
7.	Charge and Discharge Power Control SOP Software for lithium-ion battery system V1.0* (鋰離子電池系統充電功率控制SOP軟件 V1.0)	Jiangsu Research Institute	2020SR0242289	2020.03.12

3. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUPERVISORS

A. Particulars of Directors' and Supervisors' Contracts

Pursuant to Rules 19A.54 and 19A.55 of the Listing Rules, each of our Directors and Supervisors has entered into a contract with our Company on September 19, 2022 in respect of, among other things, (i) the compliance of relevant laws and regulations, (ii) compliance with the Articles of Association, and (iii) the provision on arbitration.

Save as disclosed above, none of our Directors or Supervisors has or is proposed to have any service contracts with our Group (other than contracts expiring or determinable by the relevant employers within one year without the payment of compensation (other than statutory compensation)).

B. Directors' and Supervisors' Remuneration

Save as disclosed in the section headed “Directors, Supervisors and Senior Management – Remuneration policy” of this prospectus and under notes 16 and 17 to the Accountant’s Report set out in Appendix I to this prospectus, no Director or Supervisor received any other fees, salaries, allowances, share based compensation, pension schemes contribution and other benefits in kind (if applicable) from our Company in respect of each of the years ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2022.

It is estimated that under the arrangements currently in force, total remuneration (including fees, salaries, pension schemes contribution and other benefits, excluding any share based compensation) in an amount of approximately RMB11 million will be payable by our Company to our Directors and Supervisors for the year ending December 31, 2022 for their services as our Directors and Supervisors.

There is no arrangement under which any Director or Supervisor has waived or agreed to waive any remuneration of benefits in kind during the Track Record Period.

4. DISCLOSURE OF INTERESTS**A. Substantial Shareholders*****(i) Interests in the Shares of our Company***

For information on the persons (other than our Directors, Supervisors or chief executive of our Company) who will, immediately following the completion of the Global Offering (assuming that (i) the Global Offering becomes unconditional and all Offer Shares have been issued pursuant to the Global Offering, and (ii) the Over-allotment Option is not exercised), have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at general meetings of our Company, please see “Substantial Shareholders” in this prospectus.

Save as disclosed in the section headed “Substantial Shareholders” in this prospectus, our Directors, Supervisors, and chief executives are not aware of any person, not being our Director, Supervisor, and chief executive of our Company, who has an interest or short position in our Shares, underlying Shares or debentures of our Company which, once our H Shares are listed, would have to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

(ii) Interests in our Company's subsidiaries

Immediately following the completion of the Global Offering, assuming (i) the Global Offering has become unconditional and all Offer Shares have been issued pursuant to the Global Offering; and (ii) the Over-allotment Options have not been exercised, no person (other than our Company) will be interested, directly or indirectly, in 10% or more in any share class with the right to, in any event, vote at the general meeting of any other member (other than our Company) of our Group, save as disclosed as below:

Member of our Group	Person holding 10% or more interests	Approximate percentage of the interests in the member of our Group
Chengdu Company	Chengdu Heavy Industry Longjin ⁽¹⁾	49%
Wuhan Company	Wuhan Jingkai Investment ⁽²⁾	49%
Hefei Company	Hefei Beicheng Investment ⁽³⁾	80%
Fujian Company	Jinyuan Industry ⁽⁴⁾	49%
Jiangmen Company	Jiangmen New Energy ⁽⁵⁾	49%
Sichuan Company	Meishan Guidance Fund ⁽⁶⁾	49%

Notes:

1. Chengdu Heavy Industry Longjin is held as to 76% and 24% by Chengdu Major Industrial Project Phase I Equity Investment Fund Co., Ltd. (成都市重大產業化項目一期股權投資基金有限公司) and Chengdu Economic Development Industrial Equity Investment Fund (Limited Partnership) (成都經開產業股權投資基金(有限合夥)).
2. Wuhan Jingkai Investment is wholly owned by State-owned Assets Supervision and Administration Commission of Wuhan Economic and Technological Development Zone (Hannan District)* 武漢經濟技術開發區(漢南區)國有資產監督管理局.
3. Hefei Beicheng Investment is wholly owned by Hefei Beicheng Capital Management Co., Ltd.* (合肥北城資本管理有限公司), which is wholly owned by Changfeng County Finance Bureau in Hefei City (State-owned Assets Supervision and Administration Commission of Changfeng County)* (長豐縣財政局(長豐縣國有資產監督管理委員會)).
4. Jinyuan Industry is wholly owned by Jinyuan Investment, which is wholly owned by the Finance Bureau of Xiamen City* (廈門市財政局).
5. Jiangmen New Energy's general partner is Jiangmen City Hainan Enterprise Management Co., Ltd* (江門市海納企業管理有限公司), a company wholly owned by Jiangmen City Financial Investment Holding Co., Ltd* (江門市金融投資控股有限公司), which is held as to approximately 83.4% and 16.6% by state-owned Assets Supervision and Administration Commission of Jiangmen City* (江門市人民政府國有資產監督管理委員會) and Jiangmen Communication and Construction Investment Group Co., Ltd.* (江門市交通建設投資集團有限公司).
6. Meishan Guidance Fund's general partner is Meishan Industrial Investment Private Equity Fund Management Co., Ltd.* (眉山產投私募基金管理有限公司), which is ultimately controlled by the State-owned Assets Supervision and Administration Commission of Meishan City* (眉山市國有資產監督管理委員會).

B. Directors, Supervisors or Chief Executive of our Company

Immediately following the completion of the Global Offering (assuming that (i) the Global Offering becomes unconditional and all Offer Shares have been issued pursuant to the Global Offering; and (ii) the Over-allotment Options have not been exercised), the interests and short positions of our Shares, underlying Shares or debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) held by our Directors, Supervisors or chief executive of our Company which shall be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken, or deemed to have under such provisions of the SFO) or which will be required pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which shall be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (for this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the Supervisors) contained in the Listing Rules are as follows:

Name	Position	Nature of interests	Number and class of shares held ⁽¹⁾	Approximate shareholding percentage in the total issued Share capital of our Company before the Global Offering (%) ⁽¹⁾	Approximate shareholding percentage in the relevant class of Shares after the Global Offering (%)	Approximate shareholding percentage in the total issued Share capital of our Company after the Global Offering (%)
Liu Jingyu ⁽³⁾	Executive director	Beneficial owner	1,513,192 Domestic Shares (L) ⁽²⁾	0.10	0.10	0.09
Dai Ying ⁽⁴⁾	Executive director	Beneficial owner	1,053,968 Domestic Shares (L) ⁽²⁾	0.07	0.07	0.06

Notes:

- (1) The calculation is based on the total 1,506,456,558 Domestic Shares in issue and the 265,845,300 H Shares in issue upon the Listing, assuming the Over-allotment Options have not been exercised.
- (2) The letter “L” represents such person’s long positions in our Shares.
- (3) 375,804 and 1,137,388 Domestic Shares were granted to/acquired by Ms. Liu Jingyu under the 2019 Share Incentive Scheme and the 2020 Share Incentive Scheme, respectively.
- (4) 140,927 and 913,041 Domestic Shares were granted to Mr. Dai Ying under the 2019 Share Incentive Scheme and the 2020 Share Incentive Scheme, respectively.

C. Disclaimers

Save as disclosed in this prospectus:

- (a) none of our Directors, Supervisors or chief executive of our Company has any interests and short positions in our Shares, underlying Shares or debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which shall be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken, or deemed to have under such provisions of SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or shall be or required to be, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules to be notified to us and the Stock Exchange, in each case once our Shares are listed. For this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the Supervisors;
- (b) none of our Directors or Supervisors is a director or employee of a company which is expected to have an interest in our Shares falling to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO once our Shares are listed on the Stock Exchange;
- (c) none of our Directors or Supervisors nor any of the parties listed in the paragraph headed “6. Other Information – F. Qualification of Experts” of this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our business;
- (d) none of our Directors or Supervisors nor any of the parties listed in the paragraph headed “6. Other Information – F. Qualification of Experts” of this Appendix is interested in our promotion, or in any assets which have, within two years immediately preceding the issue of this prospectus, been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to our Company;
- (e) none of the parties listed in the paragraph headed “6. Other Information – F. Qualification of Experts” of this appendix: (i) is interested legally or beneficially in any of our Shares or any shares in any of our subsidiaries; or (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our securities; and
- (f) none of our Directors or Supervisors or their respective associates or any Shareholders of our Company (who to the knowledge of our Directors owns more than 5% of our issued share capital) has any interest in our five largest suppliers or our five largest customers.

5. SHARE INCENTIVE SCHEMES

A. 2019 Share Incentive Scheme

The following summarizes the major terms of our Company's 2019 Share Incentive Scheme approved and adopted by our Company on August 2, 2019 and revised from time to time. The 2019 Share Incentive Scheme aims to grant share incentives to stimulate the enthusiasm and creativity of the core backbone personnel, enhance their sense of responsibility and mission of achieving the Company's long-term sustainable and healthy development, and ensure the realization of the Company's strategic goals.

Since the 2019 Share Incentive Scheme does not involve share options granted by our Company after Listing, the provisions of Chapter 17 of the Listing Rules do not apply to the terms of the 2019 Share Incentive Scheme. Given that the Shares under the 2019 Share Incentive Scheme have been issued, there will be no dilutive effect on the Shares outstanding upon vesting of the awards under the 2019 Share Incentive Scheme. No further awards under the 2019 Share Incentive Scheme will be granted after Listing.

In order to implement the 2019 Share Incentive Scheme, Xiamen Lihang Equity Investment established as an Employee Shareholding Platform. As of the Latest Practicable Date, Xiamen Lihang Equity Investment is owned as to 40%, 20%, 15%, 15%, 5% and 5% equity by Ms. Liu Jingyu, Dr. Pan Fangfang, Mr. Dai Ying, Mr. Geng Yan'an, Mr. Wang Xiaoqiang and Mr. He Fan, respectively.

1. *Principal Terms*

(a) Management

The general manager's office of our Company is responsible for formulating corporate equity and dividend incentive plans.

(b) Method for participants to acquire incentive shares

Participants of 2019 Share Incentive Scheme should hold incentive shares indirectly through Employee Shareholding Platforms.

(c) Method of determining the price of incentive shares

The price paid by the shareholders of Xiamen Lihang Equity for subscribing for the incentive shares was the same as the price at which Lihang Jinzhi subscribed for our Company's new registered capital on July 29, 2019. The price was determined with reference to the higher of our Company's net asset value as of June 30, 2018 or June 30, 2019 as valued by a third party valuer, the reports of which were filed with the State-owned Assets Supervision and Administration Department.

(d) Participants of the 2019 Share Incentive Scheme

The participants of the equity shares are our Company's core senior executives who have a key role in our Company's overall performance and medium and long-term development. All participants are formal employees who have entered into the employment contracts with our Company.

(e) Period between granting the award and exercising the award

The participant may exercise the award from the date on which the incentive share is granted to him/her.

(f) Lock-up period

According to the provisions of the 2019 Share Incentive Scheme, the PRC Company Law and our Articles of Association, as well as the rules and regulations relating to the lock-up period in the jurisdiction where our Shares are listed. In general, except under certain special circumstances, from the date on which the participant acquires the shares, such shares held by him/her (including the interest in the partnership directly held by him and the Shares of our Company indirectly held by him/her) shall not be transferred or sold for a period of up to 5 years.

If our Company implements initial public offering and Listing during the lock-up period, the participant, will be unlocked and can exit in accordance with the relevant regulations and requirements of the relevant securities regulatory commission and stock exchange.

(g) Special exit situation

- (1) If our Company fails to implement the initial public offering and Listing during the lock-up period, and in the event of death, divorce of, or judicial decision against the participant, and the successor or transferee of whom is not an employee of our Company, such portion of awarded Shares shall be repurchased. The exit price shall be determined on the basis of the audited net asset value per Share of our Company at the end of the previous year when such circumstances occurred or the actual capital contribution paid by the participant, whichever is higher. Such awarded Shares shall be repurchased by the acquirer determined by the general manager's office of our Company.

- (2) If our Company fails to implement the initial public offering and Listing during the lock-up period, and the participant resigns or is dismissed by our Company because he/she causes serious damage to our company's interests, breaches employment contracts or rules and regulations of our Company or seriously violates the laws and disciplines, etc., such portion of awarded Shares shall be repurchased given that the participant is no longer an employee of our Company. The exit price shall be determined on the basis of the audited net asset value per Share of our Company at the end of the previous year when such circumstances occurred or the actual capital contribution paid by the participant whichever is lower. Such awarded Shares shall be repurchased by the acquirer determined by the general manager's office of our Company.
- (3) If our Company fails to implement the initial public offering and Listing within the lock-up period, and none of situations as prescribed in paragraphs (1) or (2) above happens, the participant will be unlocked and can exit in accordance with the relevant regulations and policies of state-owned assets supervision department at that time. If there is no clear relevant regulations and policies of state-owned assets supervision department, the exit price shall be determined on the basis of the audited net asset value per Share of our Company at the end of the year preceding the aforesaid events or the actual capital contribution price paid by the participant, whichever is higher. Such awarded Shares shall be repurchased by the acquirer determined by the general manager's office of our Company.

(f) Arrangement on equity incentive

The gains received by Lihang Jinzhi shall be allocated in the following manners and order:

- (1) to each partner in accordance with its actual contribution;
- (2) residual gains shall be paid to Jinyuan Industry for the amount calculated by its actual contribution multiply by actual contribution year at 6% per annum; and
- (3) the extra gains shall be allocated to Jinyuan Industry and Xiamen Lihang Equity Investment as to 80% and 20%.

2. Incentive Shares Granted

As of the Latest Practicable Date, the number of incentive Shares granted by our Company to our Directors and members of the senior management of our Company under the 2019 Share Incentive Scheme were a total of 939,512 Shares, representing 0.06% of the issued Share capital of our Company.

A list of incentive Shares granted to our Directors and members of the senior management of our Company, as the grantees, under the 2019 Share Incentive Scheme and the details regarding incentive Shares granted to them respectively are as follows.

Name of Participants	Date of Grant	Number of incentive Shares underlying the awards granted under the 2019 Share Incentive Scheme (as of the Latest Practicable Date)
Ms. Liu Jingyu	August 14, 2019	375,804
Dr. Pan Fangfang	December 27, 2019	187,902
Mr. Dai Ying	December 27, 2019	140,927
Mr. Geng Yan'an	December 27, 2019	140,927
Mr. Wang Xiaoqiang	December 27, 2019	46,976
Mr. He Fan	December 27, 2019	46,976
Total		939,512

Save as disclosed above, no award has been granted to other connected persons of our Group under the 2019 Share Incentive Scheme. As of the Latest Practicable Date, all awards have been vested, and all selected participants holding the vested awards are the shareholders of Xiamen Lihang Equity Investment.

B. 2020 Share Incentive Scheme

The following is a summary of the principal terms of the 2020 Share Incentive Scheme of our Company as approved and adopted by our Company on October 30, 2020, and as amended from time to time. The purpose of the 2020 Share Incentive Scheme is to provide an approach for our Company to grant share awards to the key employees so as to stimulate their enthusiasm and creativity, enhance the sense of responsibility and mission of the key employees to realize long-term sustainable and healthy development of our Company, and ensure the realization of our Company's strategic goals.

The terms of the 2020 Share Incentive Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as the 2020 Share Incentive Scheme does not involve share options granted by our Company after Listing. Given that the shares under the 2020 Share Incentive Scheme have been issued, there will be no dilutive effect on the shares outstanding upon vesting of the awards under the 2020 Share Incentive Scheme. No further awards under the 2020 Share Incentive Scheme will be granted after Listing.

In order to implement the 2020 Share Incentive Scheme, our Company has established 11 Employee Shareholding Platforms, namely Xiamen Lihang Kaibo No. 1, Changzhou Lihang Kaibo No.1, Changzhou Lihang Kaibo No.2, Changzhou Lihang Kaibo No.3, Changzhou Lihang Kaibo No.4, Changzhou Lihang Kaibo No.5, Changzhou Lihang Kaibo No.6, Changzhou Lihang Kaibo No.7, Changzhou Lihang Kaibo No.8, Changzhou Lihang Kaibo No.9 and Changzhou Lihang Kaibo No.10. As of the Latest Practicable Date, the shareholding of the above 11 Employee Shareholding Platforms in our Company is as follows:

Name of Employee Shareholding Platform	No. of issued Shares held in our Company (As of the Latest Practicable Date)	Shareholding percentage in our Company (As of the Latest Practicable Date)
Xiamen Lihang Kaibo No. 1 ⁽¹⁾	5,743,026	0.38%
Changzhou Lihang Kaibo No. 1 ⁽²⁾	1,670,864	0.11%
Changzhou Lihang Kaibo No. 2 ⁽³⁾	1,287,387	0.09%
Changzhou Lihang Kaibo No. 3 ⁽⁴⁾	1,049,997	0.07%
Changzhou Lihang Kaibo No. 4 ⁽⁵⁾	1,269,126	0.08%
Changzhou Lihang Kaibo No. 5 ⁽⁶⁾	2,419,558	0.16%
Changzhou Lihang Kaibo No. 6 ⁽⁷⁾	1,616,082	0.11%
Changzhou Lihang Kaibo No. 7 ⁽⁸⁾	602,607	0.04%
Changzhou Lihang Kaibo No. 8 ⁽⁹⁾	2,008,689	0.13%
Changzhou Lihang Kaibo No. 9 ⁽¹⁰⁾	867,389	0.06%
Changzhou Lihang Kaibo No. 10 ⁽¹¹⁾	712,172	0.05%
Total	19,246,897	1.28%

Notes:

- (1) Xiamen Lihang Kaibo No.1 is a limited partnership established in the PRC for employee incentive arrangements, with Changzhou Lihang Industrial as its sole general partner and executive partner. The limited partners of the partnership as of the Latest Practicable Date are Ms. Liu Jingyu, Dr. Pan Fangfang, Mr. Dai Ying, Mr. Geng Yan'an, Mr. Wang Xiaoqiang, Ms. Yang Biqiong and Ms. Gao Yan, all of whom are our Directors or the senior management of our Company resident in the PRC, save for Ms. Yang Biqiong who is a director of Luoyang Company.
- (2) Changzhou Lihang Kaibo No.1 is a limited partnership established in the PRC for employee incentive arrangements, with Changzhou Lihang Industrial as its general partner and executive partner and Mr. Liu Junling and Ms. Zhang Qi are the shareholders of Changzhou Lihang Industrial. As of the Latest Practicable Date, the partnership had 38 limited partners, all of whom are our Group's employees resident in the PRC and are independent third parties.
- (3) Changzhou Lihang Kaibo No.2 is a limited partnership established in the PRC for employee incentive arrangements, with Changzhou Lihang Industrial as its sole general partner and executive partner. As of the Latest Practicable Date, the partnership had 38 limited partners, all of whom are our Group's employees resident in the PRC and are independent third parties.
- (4) Changzhou Lihang Kaibo No.3 is a limited partnership established in the PRC for employee incentive arrangements, with Changzhou Lihang Industrial as its sole general partner and executive partner. As of the Latest Practicable Date, the partnership had 39 limited partners, all of whom are our Group's employees resident in the PRC and are independent third parties.

- (5) Changzhou Lihang Kaibo No.4 is a limited partnership established in the PRC for employee incentive arrangements, with Changzhou Lihang Industrial as its sole general partner and executive partner. As of the Latest Practicable Date, the partnership had 44 limited partners, all of whom are our Group's employees resident in the PRC and are independent third parties.
- (6) Changzhou Lihang Kaibo No.5 is a limited partnership established in the PRC for employee incentive arrangements, with Changzhou Lihang Industrial as its sole general partner and executive partner. As of the Latest Practicable Date, the partnership had 46 limited partners, all of whom are our Group's employees resident in the PRC and are independent third parties.
- (7) Changzhou Lihang Kaibo No.6 is a limited partnership established in the PRC for employee incentive arrangements, with Changzhou Lihang Industrial as its sole general partner and executive partner. As of the Latest Practicable Date, the partnership had 42 limited partners, all of whom are our Group's employees resident in the PRC and are independent third parties.
- (8) Changzhou Lihang Kaibo No.7 is a limited partnership established in the PRC for employee incentive arrangements, with Changzhou Lihang Industrial as its sole general partner and executive partner. As of the Latest Practicable Date, the partnership had 39 limited partners, all of whom are our Group's employees resident in the PRC and are independent third parties.
- (9) Changzhou Lihang Kaibo No.8 is a limited partnership established in the PRC for employee incentive arrangements, with Changzhou Lihang Industrial as its sole general partner and executive partner. As of the Latest Practicable Date, the partnership had 44 limited partners, all of whom are our Group's employees resident in the PRC and are independent third parties.
- (10) Changzhou Lihang Kaibo No.9 is a limited partnership established in the PRC for employee incentive arrangements, with Changzhou Lihang Industrial as its sole general partner and executive partner. As of the Latest Practicable Date, the partnership had 37 limited partners, all of whom are our Group's employees resident in the PRC and are independent third parties.
- (11) Changzhou Lihang Kaibo No.10 is a limited partnership established in the PRC for employee incentive arrangements, with Changzhou Lihang Industrial as its sole general partner and executive partner. As of the Latest Practicable Date, the partnership had 30 limited partners, all of whom are our Group's employees resident in the PRC and are independent third parties.

1. Principal Terms

(a) Management

The general manager's office of our Company is responsible for (i) reviewing the list of the participants, and (ii) other management matters relating to the 2020 Share Incentive Scheme.

(b) Method for participants to acquire incentive shares

Participants of 2020 Share Incentive Scheme should hold incentive shares indirectly through Employee Shareholding Platforms.

(c) Price of incentive shares

The price paid by the participants for subscribing for incentive shares under the 2020 Share Incentive Scheme was RMB1.0293 per share.

(d) Method of determining the price of incentive shares

The price of the incentive shares under the 2020 Share Incentive Scheme was determined after taking into consideration of the following factors (whichever is higher):

- (1) at the time when Jinyuan Industry subscribes for the increased registered capital of our Company (hereinafter referred to as the “**Previous Capital Increase**”), the assessed value of our Company was RMB6.397 billion (the corresponding capital increase price was RMB1.0003/Share). As of August 31, 2020, the price of capital increase was revised according to the premium of 4.35% annual interest rate, and the calculation method is as follows: the price of capital increase = the price of the Previous Capital Increase + (the price of the Previous Capital Increase \times (4.35% \div 12) \times 8), and the price of capital increase is RMB1.0293/Share; and
- (2) the assessed value of our Company as of December 31, 2019 as valued by an independent third party valuer was RMB6.51478 billion which has not taken into account the amount of the Previous Capital Increase and as such, the corresponding price was RMB1.0185/Share. If the amount of RMB600 million of the Previous Capital Increase and the registered capital of our Company after the capital increase (i.e. RMB6.99655 billion) was taken into account, the corresponding price would be RMB1.0169/Share.

(e) Participants of the 2020 Share Incentive Scheme

Eligible participants of the 2020 Share Incentive Scheme shall include senior management, middle management, key technical personnel and key business personnel (excluding independent Directors and supervisors) who have entered into employment contracts with our Company and whose latest performance evaluation results are qualified.

(f) Period between granting the award and exercising the award

The participant may exercise the award from the date on which the incentive share is granted to him/her.

(g) Lock-up period

According to the provisions of the 2020 Share Incentive Scheme, the PRC Company Law and our Articles of Association, as well as the rules and regulations relating to the lock-up period in the jurisdiction where our Shares are listed:

In general, except under certain special circumstances, from the date on which the participant acquires the shares, such shares held by him (including the shares of the partnership directly held by him/her and the shares of our Company indirectly held by him/her) shall not be transferred, withdrawn or donated for a period of up to 5 years.

If any of the following happens to the participant during the lock-up period:

- (1) fails the performance assessment twice in a row;
- (2) resignation;
- (3) the employment contract is terminated by our Company under circumstances such as causing serious damage to our Company's interests, breach of the employment contract or our Company's rules and regulations, or serious violation of laws and disciplines;
- (4) retirement;
- (5) loss of civil capacity or death;
- (6) acting as a supervisor or an independent director;
- (7) other special circumstances such as the inability to hold the share of our Company due to position transfer or personnel adjustment,

the equities held by the participant shall be transferred to other employees designated by the general manager's office of our Company who are eligible for the 2020 Share Incentive Scheme or other employees in the Employee Shareholding Platforms within 90 days of the occurrence of the above-mentioned circumstances.

The basis of determining the price of recovered shares is as follows:

- (I) In the event of the above circumstances (1) – (3) occur to the participant, the transfer price of our Company's shares held by the participant shall be determined based on the audited net asset value per share of our Company at the end of the previous year when such circumstances occurred or the actual capital contribution paid by the participant (whichever is lower).
- (II) In the event of the above circumstances (4) – (7) occur to the participant, the transfer price of our Company's shares held by the participant shall be determined based on the audited net asset value per share of our Company at the end of the previous year when such circumstances occurred or the actual capital contribution paid by the participant (whichever is higher).

After the expiration of the lock-up period, the transfer and withdrawal mechanism of the participants shall be determined by our Board in accordance with the relevant laws and regulations at that time and shall be implemented after performing the corresponding procedures.

(h) Maximum amount of incentive shares

The total amount of incentive shares under the 2020 Share Incentive Scheme shall not exceed 5% our issued Shares.

2. Incentive shares granted

As of the Latest Practicable Date, the number of incentive shares granted by our Company to our Directors and senior management of our Company and the total number of incentive shares granted to other participants under the 2020 Share Incentive Scheme is 6,103,389 Shares and 13,143,508 Shares, representing 0.41% and 0.87% of our issued Shares, respectively.

The following are a list of our Directors, senior management of our Company and other participants who have been granted incentive shares under the 2020 Share Incentive Scheme as participants and details of the number of Shares in respect of their respective granted incentive shares.

Name of Participants	Related Employee Shareholding Platforms	Date of Grant/Acquisition	Number of incentive Shares underlying the awards granted/acquired under the 2020 Share Incentive Scheme (As of the Latest Practicable Date)
Ms. Liu Jingyu	Xiamen Lihang Kaibo No. 1	December 15, 2020	913,041
	Changzhou Lihang Kaibo No. 4	September 10, 2021	164,347
	Changzhou Lihang Kaibo No. 5	February 21, 2022	60,000
Dr. Pan Fangfang	Xiamen Lihang Kaibo No. 1	December 15, 2020	913,041
Mr. Dai Ying	Xiamen Lihang Kaibo No. 1	December 15, 2020	913,041
Mr. Geng Yan'an	Xiamen Lihang Kaibo No. 1	December 15, 2020	913,041
Ms. Gao Yan	Xiamen Lihang Kaibo No. 1	December 15, 2020	913,041
Mr. Wang Xiaoqiang	Xiamen Lihang Kaibo No. 1	December 15, 2020	219,130
	Changzhou Lihang Kaibo No. 2	August 11, 2022	9,130
Mr. He Fan	Changzhou Lihang Kaibo No. 5	December 15, 2020	913,041
Mr. Xie Qiu	Changzhou Lihang Kaibo No. 2	July 14, 2021	54,782
	Changzhou Lihang Kaibo No. 6	July 14, 2021	9,130
	Changzhou Lihang Kaibo No. 9	July 14, 2021	9,130
	Changzhou Lihang Kaibo No. 4	September 10, 2021	45,652
	Changzhou Lihang Kaibo No. 8	August 17, 2022	11,060
	Changzhou Lihang Kaibo No. 1	August 23, 2022	42,782
Other participants	Xiamen Lihang Kaibo No. 1	December 15, 2020	958,691
	Changzhou Lihang Kaibo No. 1	December 15, 2020	1,628,082
	Changzhou Lihang Kaibo No. 2	December 15, 2020	1,223,475
	Changzhou Lihang Kaibo No. 3	December 15, 2020	1,049,997
	Changzhou Lihang Kaibo No. 4	December 15, 2020	1,059,127
	Changzhou Lihang Kaibo No. 5	December 15, 2020	1,446,517
	Changzhou Lihang Kaibo No. 6	December 15, 2020	1,606,952
	Changzhou Lihang Kaibo No. 7	December 15, 2020	602,607
	Changzhou Lihang Kaibo No. 8	December 15, 2020	1,997,629
	Changzhou Lihang Kaibo No. 9	December 15, 2020	858,259
	Changzhou Lihang Kaibo No. 10	December 15, 2020	712,172
Total			19,246,897

Save as disclosed above, no award have been granted to other connected persons of our Group under the 2020 Share Incentive Scheme. As of the Latest Practicable Date, all awards have been vested, and all selected participants holding the vested awards have become limited partners of the partnerships, holding limited partnership interests in the relevant Employee Shareholding Platforms.

C. 2021 Share Incentive Scheme

The following is a summary of the principal terms of the 2021 Share Incentive Scheme of our Company as approved and adopted by our Company on November 10, 2021, and as amended from time to time. The purpose of the 2021 Share Incentive Scheme is to provide an approach for our Company to grant share awards to the key employees so as to stimulate their enthusiasm and creativity, enhance the sense of responsibility and mission of the key employees to realize long-term sustainable and healthy development of our Company, and ensure the realization of our Company's strategic goals.

The terms of the 2021 Share Incentive Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as the 2021 Share Incentive Scheme does not involve share options granted by our Company after Listing. Given that the shares under the 2021 Share Incentive Scheme have been issued, there will be no dilutive effect on the shares outstanding upon vesting of the awards under the 2021 Share Incentive Scheme. No further awards under the 2021 Share Incentive Scheme will be granted after Listing.

In order to implement the 2021 Share Incentive Scheme, our Company has established Changzhou Lihang Kaibo No. 11 as a Employees Shareholding Platform. The executive partner of Changzhou Lihang Kaibo No. 11 is Changzhou Lihang Industrial, and the limited partners of Changzhou Lihang Kaibo No. 11 are 22 limited partnerships. As of the Latest Practicable Date, Changzhou Lihang Kaibo No. 11 holds 8,642,400 Shares, representing 0.57% of our issued Share.

1. Summary of terms

(a) Management

The general manager's office of our Company is responsible for (i) reviewing the list of the participants, and (ii) other management matters relating to the 2021 Share Incentive Scheme.

(b) Method for participants to acquire shares

Participants of 2021 Share Incentive Scheme should hold incentive shares indirectly through Employee Shareholding Platforms.

(c) Price of incentive shares

The price paid by the participants under the 2021 Share Incentive Scheme is RMB41.67/share.

(d) Method of determining the price of incentive shares

As agreed by all parties, and mainly based on the appraisal result issued by the asset appraisal agency and filed with state-owned assets authorities, the price of the incentive shares granted under the 2021 Share Incentive Scheme was RMB41.67/share, which is the same as the price of the strategic investors' capital increase introduced by our Company in the same period.

(e) Participants of the 2021 Share Incentive Scheme

Eligible participants of the 2021 Share Incentive Scheme shall include senior management, middle management, key technical personnel and key business personnel (excluding independent Directors and supervisors) who have entered into employment contracts with our Company and whose latest performance evaluation results are qualified.

(f) Period between granting the award and exercising the award

The participant may exercise the award from the date on which the incentive share is granted to him/her.

(g) Lock-up period

According to the provisions of the 2021 Share Incentive Scheme, the PRC Company Law and our Articles of Association, as well as the rules and regulations relating to the lock-up period in the jurisdiction where our Shares are listed:

In general, except under certain special circumstances, from the date on which the participant acquires the shares, such shares held by the participant (including the shares of the partnership directly held by him/her and the shares of our Company indirectly held by him/her) shall not be transferred, withdrawn or donated for a period of up to 5 years.

If any of the following happens to the participant during the lock-up period:

- (1) fails the performance assessment twice in a row;
- (2) resignation;
- (3) the employment contract is terminated by our Company under circumstances such as causing serious damage to our Company's interests, breach of the employment contract or our Company's rules and regulations, or serious violation of laws and disciplines;

- (4) retirement;
- (5) loss of civil capacity or death;
- (6) acting as a supervisor or an independent director;
- (7) other special circumstances such as the inability to hold the shares of our Company due to position transfer or personnel adjustment,

the equities held by the participant shall be transferred to other employees designated by the general manager's office of our Company who are eligible for the 2021 Share Incentive Scheme or other employees in the Partnership within 90 days of the occurrence of the above-mentioned circumstances, or exited in any other way approved by the general manager's office which includes, but is not limited to, the recovery of the incentive equity by the Partnership or our Company and granting such equity to other eligible employees or other employees in the Employee Shareholding Platforms.

The basis of determining the price of recovered shares is as follows:

- (I) In the event of the above circumstances (1) – (3) occur to the participant, the transfer price of our Company's shares held by the participant shall be determined based on the audited net asset value per share of our Company at the end of the previous year when such circumstances occurred or the actual capital contribution paid by the participant (whichever is lower).
- (II) In the event of the above circumstances (4) – (7) occur to the participant, the transfer price of our Company's shares held by the participant shall be determined based on the audited net asset value per share of our Company at the end of the previous year when such circumstances occurred or the actual capital contribution paid by the participant (whichever is higher).
- (III) In the event of the above circumstances (1) – (7) occur to the participant, from the date of such circumstances occur, the participant shall no longer enjoy the dividends, voting rights and other relevant shareholders' interests of our Company and/or the Employee Shareholding Platforms corresponding to the shares of our Company indirectly held by him/her and the interests of the Employee Shareholding Platforms directly held by him/her.

After the expiration of the lock-up period, the transfer and withdrawal mechanism of the participant shall be determined by our Board in accordance with the relevant laws and regulations at that time and shall be implemented after performing the corresponding procedures.

(h) Maximum amount of incentive shares

The total amount of incentive shares under the 2020 Share Incentive Scheme and 2021 Share Incentive Scheme shall not exceed 5% of our total issued Shares.

2. Incentive shares granted

As of the Latest Practicable Date, the number of incentive shares granted the participants (all employees, not being our Directors or senior management of our Group) under the 2021 Share Incentive Scheme by our Company is 8,642,400 Shares, representing 0.57% of our issued Share.

No awards under the 2021 Share Incentive Scheme have been granted to connected persons of our Company. As of the Latest Practicable Date, all awards have been vested, and all selected participants holding the vested awards have become limited partners of the partnerships, holding limited partnership interests in the relevant Employee Shareholding Platforms.

6. OTHER INFORMATION

A. Estate Duty

We have been advised that no material liability for estate duty under the PRC law is likely to fall upon our Company or any members of our Group.

B. Litigation

As of the Latest Practicable Date, save as disclosed in the section headed “Business” in this prospectus, we are not involved in any other material litigation, arbitration or administrative proceedings, and so far as our Directors are aware, no such material litigation, arbitration or administrative proceedings are pending or threatened against any members of our Group.

C. Sole Sponsor

The Sole Sponsor has declared its independence pursuant to Rule 3A.07 of the Listing Rules. The Sole Sponsor has made an application on our behalf to the Stock Exchange for permission of our H Shares to be issued pursuant to the Global Offering (including the additional H Shares which may be issued pursuant to the exercise of the Over-allotment Option).

We have entered into an engagement agreement with the Sole Sponsor, pursuant to which we agreed to pay USD1 million to the Sole Sponsor to act as the sponsor to our Company in the Global Offering.

D. Compliance Advisor

We have appointed Maxa Capital Limited as our compliance advisor in compliance with Rule 3A.19 of the Listing Rules.

E. Preliminary Expenses

Our Company did not incur material preliminary expense for the purpose of the Listing Rules.

F. Qualification of Experts

The qualifications of the experts, as defined under the Listing Rules, who have given their opinions or advice in this prospectus, are as follows:

Name	Qualification
Huatai Financial Holdings (Hong Kong) Limited	Licensed corporation under the SFO to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the SFO
Jia Yuan Law Offices	Legal advisor to our Company as to PRC law
RSM Hong Kong	Certified Public Accountants
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant
Stephen Peepels	Legal advisor to our Company as to international sanctions law
V&T Law Firm	Special IP counsel to our Company
Haiwen & Partners	Special IP counsel to the Sole Sponsor and the Underwriters

G. Promoters

The promoters of our Company are as follows:

No.	Names of the promoters
1	Changzhou Lihang Kaibo No. 1
2	Changzhou Lihang Kaibo No. 2
3	Changzhou Lihang Kaibo No. 3
4	Changzhou Lihang Kaibo No. 4
5	Changzhou Lihang Kaibo No. 5
6	Changzhou Lihang Kaibo No. 6
7	Changzhou Lihang Kaibo No. 7
8	Changzhou Lihang Kaibo No. 8
9	Changzhou Lihang Kaibo No. 9
10	Changzhou Lihang Kaibo No. 10
11	Chengfei Integration
12	Chenyi Pengqi
13	China Insurance Investment Advanced Manufacturing
14	China Insurance Investment No. 1 New Energy
15	China Insurance Investment No. 2 New Energy
16	China Insurance Investment Strategic Emerging
17	Chuanghe Xincai
18	Getian Star
19	Guangqi Ruidian
20	Guolian Tongjin
21	Guolian Tongkun
22	Guolian Tongwu
23	Hongshan Kaichen
24	Huake Engineering
25	Huake Investment
26	Huaxian Automobile
27	Jinli Investment
28	Jinsha Investment
29	Jinyuan Investment
30	Jinyuan Industry
31	Lihang Jinzhi
32	Link Cornerstone
33	Ma'anshan Cornerstone
34	Ma'anshan Shengtuo
35	Xiamen Lihang Kaibo No. 1
36	Xiaomi Yangtze River Industry

Within the two years preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

H. Consents of Experts

Each of the experts as referred to in the paragraph headed “6. Other Information – F. Qualification of Experts” of this Appendix has given, and has not withdrawn, its respective written consents to the issue of this prospectus with the inclusion of its reports and/or letter(s) and/or opinion(s) and/or memorandum(s) and the references to its name included herein in the form and context in which it is respectively included.

As of the Latest Practicable Date, none of the experts named above has any shareholding interest in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

I. Taxation of Holders of our H Shares

The sale, purchase and transfer of our H shares are subject to Hong Kong stamp duty if such sale, purchase and transfer are effected on the H share register of members of our Company, including in circumstances where such transaction is effected on the Stock Exchange. The current rate of Hong Kong stamp duty for such sale, purchase and transfer is a total of HK\$1.30 for every HK\$1,000 (or part thereof) of the consideration or, if higher, the fair value of our H shares being sold or transferred. For further information in relation to taxation, please see “Taxation and foreign exchange” in Appendix III to this prospectus.

J. No Material Adverse Change

Our Directors confirm that, after performing all due diligence work, there has been no material adverse change in our financial or operational position since March 31, 2022 and up to the Latest Practicable Date.

K. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

L. Related Party Transactions

Within the two years immediately preceding the date of this prospectus, we have entered into the related party transactions as described in Note 51 to the financial information in the Accountant’s Report set out in Appendix I.

M. Agency Fees or Commissions Paid or Payable

Save as disclosed in the section headed “Underwriting – Commission and Expenses and Sole Sponsor’s Fee” in connection with the Global Offering in this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of any members of our Group within the two years preceding the date of this prospectus.

N. Miscellaneous

Save as disclosed in this prospectus:

- (a) within the two years immediately preceding the date of this prospectus, we have not issued or agreed to issue any Share or loan capital fully or partly paid either for cash or for a consideration other than cash;
- (b) no share or loan capital of our Group, if any, is under option or is agreed conditionally or unconditionally to be put under option;
- (c) we have not issued or agreed to issue any founder Shares, management Shares or deferred Shares;
- (d) our Company has no outstanding convertible debt securities or debentures;
- (e) there are no restrictions affecting the remittance of profits or repatriation of capital by us into Hong Kong from outside Hong Kong;
- (f) within the two years immediately preceding the date of this prospectus, no commission, discount, brokerage or other special term has been granted in connection with the issue or sale of any capital of our Company;
- (g) there is no arrangement under which future dividends are waived or agreed to be waived;
- (h) there has been no interruption in our business which may have or have had a significant effect on the financial position in the last 12 months;
- (i) none of the equity and debt securities of our Company, if any, is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought;
- (j) our Company is a joint stock limited company and is subject to the PRC Company Law; and
- (k) our Company is not or expects not to be subject to the Sino-foreign Joint Venture Law of the PRC (中外合資經營企業法).

O. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of the **GREEN** application form;
- (b) a copy of the material contract referred to in “Statutory and General Information – 2. Further information about our business – A. Summary of our material contracts” in Appendix VI to this prospectus; and
- (c) the written consents referred to in “Statutory and General Information – 6. Other information – H. Consents of experts” in Appendix VI to this prospectus.

DOCUMENTS ON DISPLAY

Copies of the following documents will be on display on the website of the Stock Exchange at www.hkexnews.hk and our website at www.calb-tech.com during a period of 14 days from the date of this prospectus:

- (a) the Articles of Association;
- (b) the Accountant’s Report of RSM Hong Kong, the text of which is set out in Appendix I to this prospectus;
- (c) the audited consolidated financial statements of our Group for the three years ended December 31, 2021 and three months ended March 31, 2022;
- (d) the report on the unaudited pro forma financial information from RSM Hong Kong, the text of which is set out in Appendix II to this prospectus;
- (e) the PRC legal opinions issued by Jia Yuan Law Offices, our PRC Legal Advisor, in respect of certain aspects of our Group;
- (f) the PRC Company Law, the Mandatory Provisions and the Special Regulations together with their unofficial translations;
- (g) the written consents referred to in “Statutory and General Information – 6. Other information – H. Consents of experts” in Appendix VI to this prospectus;
- (h) the material contracts referred to in “Statutory and General Information – 2. Further information about our business – A. Summary of our material contracts” in Appendix VI to this prospectus;

- (i) the service contracts referred to in “Statutory and General Information – 3. Further information about our Directors and Supervisors – A. Particulars of Directors’ and Supervisors’ contracts” in Appendix VI to this prospectus;
- (j) the industry report issued by Frost & Sullivan, the summary of which is set forth in the section headed “Industry Overview” in this prospectus;
- (k) the legal memorandum issued by Stephen Peepels, our legal advisor to international sanctions law;
- (l) the legal opinion issued by V&T Law Firm, our special IP counsel, in respect certain aspects of the IP matters of our Group;
- (m) the IP due diligence report issued by V&T Law Firm, our special IP counsel, in respect of certain aspects of the IP matters of our Group;
- (n) the legal opinion issued by Haiwen & Partners, the special IP counsel to the Sole Sponsor and the Underwriters, in respect certain aspects of the IP matters of our Group; and
- (o) the terms of each of the 2019 Share Incentive Scheme, the 2020 Share Incentive Scheme and the 2021 Share Incentive Scheme.

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