CALB Group Co., Ltd.
中創新航科技集團股份有限公司
(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 3931)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

The board (the "**Board**") of directors (the "**Directors**") of CALB Group Co., Ltd. (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**", "**CALB**", "**we**" or "**us**") for the year ended 31 December 2023 (the "**Reporting Period**"), together with the comparative figures for the year ended 31 December 2022, as follows:

FINANCIAL SUMMARY

- The revenue of the Group increased by 32.5% from RMB20,374.94 million for the year ended 31 December 2022 to RMB27,005.89 million for the year ended 31 December 2023.
- The net cash inflow from the operating activities of the Group increased by 37.5% from RMB2,109.05 million for the year ended 31 December 2022 to RMB2,900.17 million for the year ended 31 December 2023.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	Note	2023 RMB'000	2022 RMB'000
Revenue	4	**27,005,885**	20,374,942
Cost of sales		**(23,494,367)**	(18,271,422)
Gross profit		**3,511,518**	2,103,520
Investment and other income	5	**158,684**	191,430
Government grants and subsidies		**41,808**	17,419
Other losses, net	6	**(877,052)**	(62,872)
Selling expenses		**(343,162)**	(288,264)
Administrative expenses		**(675,753)**	(590,974)
Research and development expenses		**(991,961)**	(664,758)
(Impairment losses)/reversal of impairment losses on trade and bills receivables		**(60,763)**	9,315
Reversal of impairment losses/(impairment losses) on prepayments, deposits and other receivables		**880**	(3,157)
Profit from operations		**764,199**	711,659
Finance costs	8	**(330,439)**	(65,217)
Share of losses of associates		**(157)**	(815)
Profit before tax		**433,603**	645,627
Income tax credit	9	**3,560**	47,910
Profit for the year	10	**437,163**	693,537
Attributable to:			
Owners of the Company		**294,377**	691,626
Non-controlling interests		**142,786**	1,911
		437,163	693,537
Earnings per share	12		
Basic (RMB per share)		**0.1661**	0.4408
Diluted (RMB per share)		**0.1661**	0.4408

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2023

	Note	2023 RMB'000	2022 RMB'000
Non-current assets			
Property, plant and equipment		**67,694,816**	45,527,632
Right-of-use assets		**1,786,328**	1,618,177
Intangible assets		**1,358,099**	1,373,277
Investments in associates		**16,194**	16,351
Other financial assets		**639,267**	670,565
Deposits paid for acquisition of property, plant and equipment		**1,255,202**	3,312,789
Deferred tax assets		**568,099**	582,380
		73,318,005	53,101,171
Current assets			
Inventories		**7,125,768**	11,821,947
Trade and bills receivables	*13*	**6,829,306**	5,335,457
Prepayments, deposits and other receivables		**8,536,035**	6,149,868
Amounts due from related parties		**232,585**	952,154
Other financial assets		**143,676**	177,090
Current tax assets		**27,790**	6,036
Pledged bank deposits		**1,381,631**	1,984,783
Restricted bank balances		**267**	298
Bank and cash balances		**7,833,962**	10,931,814
		32,111,020	37,359,447
Current liabilities			
Trade and bills payables	*14*	**19,958,859**	21,646,762
Accruals and other payables		**7,513,703**	7,090,209
Contract liabilities		**616,955**	490,532
Amounts due to related parties		**425,700**	471,652
Lease liabilities		**17,036**	23,969
Bank borrowings		**8,114,805**	2,479,634
Provisions		**98,678**	508,826
Current tax liabilities		**75,725**	63,367
		36,821,461	32,774,951
Net current (liabilities)/assets		**(4,710,441)**	4,584,496
Total assets less current liabilities		**68,607,564**	57,685,667

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2023

1. GENERAL INFORMATION

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

The Company has been engaging in the design, research and development, production and sales of EV batteries and ESS products.

2. BASIS OF PREPARATION

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

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

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

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

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

(a) The Group had committed and undrawn short-term borrowing facilities of approximately RMB17,683 million and committed and undrawn long-term borrowing facilities of approximately RMB21,933 million as at the end of reporting period available to meet the operating requirements and foreseeable future capital investment requirements;

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

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

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

3. ADOPTION OF NEW AND REVISED IFRS ACCOUNTING STANDARDS

(a) Application of new and revised IFRS Accounting Standards

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

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

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

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

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

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

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

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies.

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

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

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

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

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

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

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

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

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

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

4. REVENUE

(a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service line for the year is as follows:

	2023	2022
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15		
Sales of EV batteries	**22,249,046**	18,323,505
Sales of ESS products and others	**4,756,839**	2,051,437
	27,005,885	20,374,942

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:

	2023	2022
	RMB'000	*RMB'000*
Primary geographical markets		
– Mainland China	**26,353,028**	19,988,435
– Europe	**153,015**	83,175
– Asia	**453,359**	213,353
– America	**44,047**	89,979
– Others	**2,436**	–
	27,005,885	20,374,942
Timing of revenue recognition		
Products transferred at a point in time	**26,940,219**	20,334,429
Products and services transferred over time	**65,666**	40,513
	27,005,885	20,374,942

(b) Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at year end and the expected timing of recognising revenue as follows:

	2023	2022
	RMB'000	*RMB'000*
Within 1 year	**616,955**	490,532

5. INVESTMENT AND OTHER INCOME

	2023	2022
	RMB'000	*RMB'000*
Interest income on:		
Bank deposits	**131,672**	120,739
Financial assets at FVTOCI	**3,775**	63,504
Total interest income	**135,447**	184,243
Compensation from suppliers	**12,778**	5,335
Insurance compensation income	**1,773**	853
Reversal of provision for litigation	**8,400**	–
Others	**286**	999
	158,684	191,430

6. OTHER LOSSES, NET

	2023	2022
	RMB'000	*RMB'000*
Fair value change in financial assets at FVTPL	**(30,297)**	(38,281)
Fair value change in financial guarantees	**–**	12,354
Fair value change in put option liabilities	**–**	275,669
Gain/(loss) on disposal of associates	**358**	(503)
Allowance for inventories	**(864,164)**	(268,006)
Net foreign exchange gain/(loss)	**31,559**	(43,589)
Net gain/(loss) on lease modification	**1,561**	(1,132)
Net (loss)/gain on disposals of property, plant and equipment	**(16,069)**	616
	(877,052)	(62,872)

7. SEGMENT INFORMATION

The Group is mainly engaged in the design, research and development, production and sales of EV batteries and ESS products in the PRC, and all the assets are substantially located in the PRC. Accordingly, there is only one single business reportable segment which is regularly reviewed by the chief operating decision maker.

Revenue from major customers:

	2023	2022
	RMB'000	*RMB'000*
Customer A	**7,770,461**	8,056,758
Customer B	**4,913,962**	3,457,134
Customer C*	**3,026,489**	N/A

* Revenue from this customer amounted to less than 10% of the total revenue of the Group for the year ended 31 December 2022.

8. FINANCE COSTS

	2023	2022
	RMB'000	*RMB'000*
Interest expenses on lease liabilities	**4,691**	4,691
Interest on bank borrowings and finance charges	**966,487**	355,737
Total borrowing costs	**971,178**	360,428
Amount capitalised	**(640,739)**	(295,211)
	330,439	65,217

9. INCOME TAX CREDIT

Income tax credit has been recognised in profit or loss as follows:

	2023	2022
	RMB'000	*RMB'000*
Current tax – the PRC		
Provision for the year	**(11,159)**	(63,127)
(Under)/Over provision in prior years	**(63,375)**	15,054
	(74,534)	(48,073)
Current tax – Others		
Provision for the year	**(116)**	(261)
Deferred tax	**78,210**	96,244
	3,560	47,910

Under the relevant income tax law, the PRC subsidiaries are subject to Enterprise Income Tax ("**EIT**") at a statutory rate of 25% on their respective taxable income during the year.

The Company and certain subsidiaries operating in Mainland China were approved to be high and new technology enterprises and were entitled to a reduced EIT rate of 15%. The high and new technology enterprises certificates need to be renewed every three years so as to enable the Company and those subsidiaries to enjoy the reduced EIT rate of 15%.

10. PROFIT FOR THE YEAR

The Group's profit for the year is stated after charging/(crediting) the following:

	2023	2022
	RMB'000	*RMB'000*
Allowance for inventories	**864,164**	268,006
Amortisation of intangible assets	**160,400**	137,620
Auditor's remuneration		
– Audit services	**3,873**	3,651
– Non-audit services	**577**	1,293
– Listing related services*	**–**	16,999
Cost of inventories sold	**23,494,367**	18,271,422
Depreciation of property, plant and equipment	**1,524,605**	772,475
Depreciation of right-of-use assets	**65,219**	52,310
Net loss/(gain) on disposals of property, plant and equipment	**16,069**	(616)
Net (gain)/loss on lease modification	**(1,561)**	1,132
Impairment losses/(reversal of impairment losses) on trade and bills receivables	**60,763**	(9,315)
(Reversal of impairment losses)/impairment losses on prepayments, deposits and other receivables	**(880)**	3,157

* Such services fee was deducted to the proceeds from the issue of ordinary shares.

11. DIVIDENDS

No dividend has been paid or proposed during the year (2022: Nil).

12. EARNINGS PER SHARE

The calculation of the basic earnings per share during the year is based on the profit for the year attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares in issue or deemed to be in issue.

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company of approximately RMB294,377,000 (2022: RMB691,626,000), and the weighted average number of ordinary shares of approximately 1,772,302,000 (2022: 1,569,094,000) in issue during the year.

(b) Diluted earnings per share

No diluted earnings per share was presented for the years ended 31 December 2023 and 2022 as the Company did not have any dilutive potential ordinary shares.

13. TRADE AND BILLS RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Trade receivables		
Receivables from third parties	**5,084,887**	3,609,901
Due from related parties	**74,964**	330
Allowance for doubtful debts	**(88,639)**	(27,876)
	5,071,212	3,582,355
Bills receivables	**1,758,094**	1,753,102
	6,829,306	5,335,457

The credit terms, being granted to independent third parties, are generally within 90 days. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the Directors.

The aging analysis of trade receivables based on the invoice date, and net of allowance, is as follows:

	2023	2022
	RMB'000	*RMB'000*
0 to 180 days	**4,808,770**	3,518,891
181 to 365 days	**70,292**	44,688
1 – 2 years	**191,698**	18,776
Over 2 years	**452**	–
	5,071,212	3,582,355

Reconciliation of allowance for trade receivables:

	2023	2022
	RMB'000	*RMB'000*
At 1 January	**27,876**	37,191
Allowance/(reversal of allowance) for the year, net	**60,763**	(9,315)
At 31 December	**88,639**	27,876

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 bank acceptance bills to suppliers in order to settle trade payables and discounts bank acceptance bills to banks in order to obtain working capital.

The Group endorsed certain bank acceptance bills to suppliers for settling trade payables of the same amount on a full recourse basis. The Group has derecognised these bills receivables and payables to suppliers in their entirety. These derecognised bank acceptance bills had a maturity date of less than 12 months from the end of the Reporting Period. In the opinion of the Directors, the Group has transferred substantially all the risks and rewards of ownership of these bills and has discharged its obligation of the payables to its suppliers, and the Group has limited exposure in respect of the settlement obligation of these bills receivables under the relevant PRC rules and regulations, should the issuing banks fail to settle the bills on maturity date. The Group considered the issuing banks of these bills are of good credit quality and non-settlement of these bills by the issuing banks on maturity is remote. The Group's maximum exposure to loss and undiscounted cash outflow, which is same as the amount payable by the Group to suppliers in respect of the endorsed bills, should the issuing banks fail to settle the bills on maturity date, is amounted to RMB1,485,431,000 (2022: RMB2,594,909,000).

The Group discounted certain bank acceptance bills to banks for obtaining working capital and has derecognised these bank acceptance bills in their entirety. These discounted bank acceptance bills had a maturity date of less than 12 months from the end of the Reporting Period. In the opinion of the Directors, the Group has transferred substantially all the risks and rewards of ownership of these bills and the Group has minimum exposure in respect of the settlement obligation of these bills under the commercial practice in the PRC, should the issuing banks fail to settle the bills on maturity date. The Group considered the issuing banks of these bills are of good credit quality and chance of non-settlement of these bills by the issuing banks on maturity date is remote. The Group's maximum exposure to loss and undiscounted cash outflow, should the issuing banks fail to settle the bills on maturity date, is amounted to RMB6,784,377,000 (2022: RMB940,033,000).

Bills receivables of RMB658,426,000 (2022: RMB108,810,000) were discounted to banks or other financial institutions with recourse, where substantially the risks and rewards of ownership had not been transferred respectively, hence these discounted bills were not derecognised.

The Group entered into a trade receivable factoring arrangement and transferred certain trade receivables of RMB1,700,000,000 (2022: RMB Nil) to a bank without recourse. In the opinion of the Directors, the Group has transferred substantially all the risks and rewards of ownership of these receivables and the Group has minimum exposure in respect of the settlement obligation of these receivables under the commercial practice in the PRC. Thus, the Group derecognised these receivables subsequent to the transfer and the funds received.

The carrying amounts of the Group's trade and bills receivables are denominated in the following currencies:

	2023 ***RMB'000***	2022 *RMB'000*
RMB	**6,787,864**	5,306,777
USD	**30,011**	25,490
EUR	**3,374**	3,190
HKD	**8,057**	–
	6,829,306	5,335,457

14. TRADE AND BILLS PAYABLES

	2023	2022
	RMB'000	*RMB'000*
Trade payables		
Payables to third parties	**8,233,408**	7,656,059
Due to related parties	**230**	646,562
Bills payables	**11,725,221**	13,344,141
	19,958,859	21,646,762

Bills payables were secured by bills receivables of RMB295,713,000 (2022: RMB757,722,000) and the pledged bank deposits of RMB938,539,000 (2022: RMB1,292,602,000).

The aging analysis of trade payables, based on the date of receipt of goods is as follows:

	2023	2022
	RMB'000	*RMB'000*
0 to 180 days	**8,215,702**	8,297,125
181 – 365 days	**17,928**	4,939
1 – 2 years	**8**	11
Over 2 years	**–**	546
	8,233,638	8,302,621

The carrying amounts of the Group's trade and bills payables are denominated in the following currencies:

	2023	2022
	RMB'000	*RMB'000*
RMB	**19,955,742**	21,642,493
EUR	**3,110**	–
USD	**7**	4,269
	19,958,859	21,646,762

MANAGEMENT DISCUSSION AND ANALYSIS

I. The Industry which the Company Operates in

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

1. EV battery market

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

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

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

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

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

2. Energy storage market

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

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

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

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

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

II. Business review

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

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

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

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

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

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

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

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

1. Further breakthrough in technology

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

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

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

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

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

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

2. Regaining a leading position in terms of products

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

Products for passenger vehicle market

(1) Ternary EV batteries

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

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

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

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

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

(2) Phosphate series EV batteries

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

2) the high-power LFP R46 large cylinder battery: "Top-tier" iron lithium R46 large cylinder product is a new generation product developed for the hybrid market, with leading advantages such as minimizing cost and maximizing performance. It will be delivered in batches in 2024;

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

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

5) 800V 5C super-charged LFP battery: can achieve 20%-80% charging within 9 minutes. It will be delivered in batches in 2024.

Products for commercial vehicle market

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

Products for energy storage market

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

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

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

3. *Business achievements*

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

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

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

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

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

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

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

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

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

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

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

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

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

III. Future Prospects

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

1. Innovation in technologies and products

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

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

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

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

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

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

2. Market and customer development

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

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

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

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

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

3. *Internationalization*

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

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

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

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

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

IV. FINANCIAL REVIEW

Overview

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

Revenue structure

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

1) Revenue by product

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

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

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

2) Revenue by geographical location of product delivery

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

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

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

Financial position

1) Assets

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

2) Liabilities

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

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

Capital structure

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

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

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

Foreign exchange risk

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

Capital expenditure

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

Capital commitment

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

Restricted assets

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

Significant investments held

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

Future plans for significant investments and capital assets

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

Material acquisitions and disposals of subsidiaries and associates

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

Contingent liabilities

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

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

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

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

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

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

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

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

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

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

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

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

Use of Proceeds from Listing

The Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 6 October 2022 (the "**Listing Date**"). After deducting the underwriting fees, commissions and estimated expenses, the total net proceeds from the listing amounted to approximately HK$9,980.10 million. The listing proceeds are and will continue to be utilized in accordance with the plans disclosed in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 23 September 2022 (the "**Prospectus**"), namely:

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

Save as disclosed above, the Group has not utilized any other listing proceeds during the Reporting Period and will continue to gradually utilize the remaining net proceeds in accordance with the intended use as set out in the Prospectus and expect to fully use them by 31 December 2024. The expected timetable is based on the Company's current best estimate of future market conditions and business operations, and will be adjusted according to the development of future market conditions and actual business needs.

OTHER INFORMATION

Purchase, Sale or Redemption of Listed Securities of the Company

Save for the initial issuance of overseas listed foreign shares, neither the Group nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

Final Dividend

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

Annual General Meeting

The Company will inform the shareholders of the Company (the "**Shareholders**") at a later date about the date of the forthcoming annual general meeting and the corresponding arrangement for the closure of register of members.

Events after the Reporting Period

(a) On 10 January 2024, the Company entered into a facility agreement with a number of lending banks to act as guarantor of a EUR200 million bank loan facility for a subsidiary.

(b) On 14 March 2024, the Company has received the approval granted by The Stock Exchange of Hong Kong Limited for the listing of and permission to deal in 345,822,805 H-Shares ("**Converted H-Shares**") as described below. Subject to the required procedures as set out in the Company's announcement dated 14 March 2024, 345,822,805 existing domestic shares of the Company will be converted into the H-Shares.

Apart from the above, the Group had no other material event after the reporting period as at 31 December 2023.

Compliance with the Corporate Governance Code

The Group is committed to maintaining a high standard of corporate governance and strives to comply with the code provisions (the "**Code Provisions**") as set out in Part 2 the Corporate Governance Code (the "**CG Code**") in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

During the Reporting Period, the Company had complied with all applicable Code Provisions of the CG Code, save for the deviation from Code Provisions C.2.1 of the CG Code, which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Ms. Liu Jingyu is the chairwoman and president of the Company. The Directors believe that the roles of chairwoman and president in the same person are beneficial to ensure consistent leadership within the Group and enable the Group to formulate overall strategic planning more effectively and efficiently. The Directors also believe that the current arrangement will not impair the balance of duties and licensing rights and the structure will enable the Company to make decisions and implement them in a timely and effective manner. Under the leadership of Ms. Liu Jingyu, the Board functions effectively and discharges its responsibilities to discuss all important and appropriate issues in a timely manner. In addition, as all major decisions are made in consultation with members of the Board and the relevant Board committees, and the Board has three independent non-executive Directors to provide independent views, the Board considers that there are adequate safeguards to ensure an adequate balance of powers of the Board. However, the Board will review the structure and composition of the Board from time to time to maintain a high standard of corporate governance practices of the Company.

The Board will continue to review the effectiveness of the Company's governance structure to assess whether it is necessary to separate the responsibilities of the chairman and chief executive officer.

Model Code for Securities Transactions by Directors

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

Audit Committee Reviews Annual Results

The Company has established the audit committee (the "**Audit Committee**") with written terms of reference in compliance with Rules 3.21 and 3.22 of the Listing Rules and Code Provisions D.3.3 of the CG Code. The Audit Committee consists of 3 independent non-executive Directors including Mr. Wang Susheng, Mr. Wu Guangquan and Mr. Chen Zetong, and is currently chaired by Mr. Wang Susheng with appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2023, and confirmed that it has complied with all applicable accounting principles, standards and requirements and that adequate disclosures have been made. The Audit Committee has also discussed auditing and financial reporting matters.

Scope of Work of RSM Hong Kong

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, RSM Hong Kong, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by RSM Hong Kong in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by RSM Hong Kong on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.calb-tech.com). The annual report of the Company for the year ended 31 December 2023, containing all the information required by the Listing Rules will be despatched to the Shareholders and made available on the above websites in due course.

By order of the Board
CALB Group Co., Ltd.
Liu Jingyu
Chairwoman of the Board, executive Director and president

Changzhou, PRC
26 March 2024

As at the date of this announcement, the Board comprises Ms. Liu Jingyu and Mr. Dai Ying as executive Directors, Mr. Zhou Sheng, Mr. Zhang Guoqing, Mr. Li Yunxiang as non-executive Directors, Mr. Wu Guangquan, Mr. Wang Susheng and Mr. Chen Zetong as independent non–executive Directors.