This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read this document in its entirety before you decide to invest in the [**REDACTED**]. *There are risks associated with any investment. Some of the particular risks in investing in the* [**REDACTED**] *are set out in the section headed "Risk Factors" in this document. You should read that section carefully before you decide to invest in the* [**REDACTED**].

OVERVIEW

We are a lithium-ion battery manufacturer in China. We focus on the R&D, manufacturing and sales of lithium-ion EV battery products and ESS battery products. We were established in October 2017, and achieved bulk delivery for lithium-ion batteries in April 2019. In 2022, we had a 8.8% market share, ranking third among lithium-ion battery manufacturers globally in terms of global ESS battery installations, and a 1.7% market share, ranking tenth, of the EV battery products in China in terms of amount of installation. Our EV battery products include LFP battery products and ternary lithium battery products used in various types of passenger vehicles, commercial vehicles and special vehicles. We have a diverse and balanced EV battery customer base, covering established automotive companies as well as emerging EV manufacturers. Our ESS battery products are LFP battery products for a broad range of household, commercial and industrial energy storage. Our ESS battery customers primarily include household ESS integrators, photovoltaic inverter manufacturers, system integrators and EPC firms. Our sales volume of battery products increased significantly from 1.55GWh in 2020 to 16.61GWh in 2022, representing a CAGR of 227.4%.

Market Ranking

According to the F&S Report, in 2022, we were:

- the tenth largest lithium-ion battery manufacturer globally in terms of annual installation for new energy applications, which include EV battery and ESS battery;
- the sixth largest lithium-ion battery manufacturer in China in terms of global annual installations for new energy applications, which include EV battery and ESS battery;
- the tenth largest lithium-ion battery manufacturer globally in terms of China EV battery installations;
- the third largest lithium-ion battery manufacturer globally in terms of global ESS battery installations.

OUR PRODUCTS

We are mainly engaged in the design, R&D, manufacturing and sales of lithium-ion EV battery products and ESS battery products. In 2020, 2021 and 2022, we generated 94.3%, 87.3% and 89.1% of our revenue from the sales of EV and ESS battery products.

EV Battery Products

Our EV battery products are produced and sold in the form of battery cells, battery modules and battery packs depending on the needs of our customers. EV batteries that are installed in EVs are typically battery packs.

ESS Battery Products

Our ESS battery products are primarily LFP battery products and are mainly produced and sold in battery cells, battery modules and battery packs which include battery boxes, battery racks and energy storage containers. Battery racks and energy storage containers can be directly applied in various energy storage use cases.

For more details on our products, please refer to "Business – Our Products" in this document.

OUR CUSTOMERS

We have a diverse and balanced EV battery customer base, covering domestic and overseas established automotive companies as well as emerging EV manufacturers. Our EV battery customer base also covers an established vehicle company headquartered in Netherlands, a luxury vehicle company headquartered in Germany and a leading EV company listed on NASDAQ and headquartered in the United States. For commercial vehicles and special vehicles, we have established partnerships with various leading producers of commercial vehicles, special vehicles and construction machineries to further expand our customer base and our product range. Our EV battery products are also used in overseas market including Middle East, Africa, Southeast Asia and India through direct export and export by OEMs.

Our ESS battery customers primarily include household ESS integrators, photovoltaic inverter manufacturers, system integrators and EPC firms. Our ESS battery products are used in household, commercial and industrial applications worldwide, including China and overseas markets such as the United States, Europe, Japan, Australia, India, Southeast Asia and Africa.

In each of 2020, 2021 and 2022, sales to our largest customer for the respective periods accounted for 38.6%, 24.5% and 11.7% of our revenue, respectively, while our five largest customers for the same periods accounted for 69.7%, 51.0% and 38.2% of our revenue, respectively.

For more details on our customers, please refer to "Business – Marketing, Sales and Customers" in this document.

OUR RESEARCH AND DEVELOPMENT CAPABILITIES

Strong R&D capabilities are the key to our success. We have R&D centers in Shanghai and Wenzhou, and an R&D center in Jiashan which is under construction, with 2,063 R&D personnel as of December 31, 2022. The core members of our R&D team are highly experienced and have extensive connections in the lithium-ion battery industry.

We have a series of technologies with advantages in terms of battery materials, battery design and battery structure, production technique and equipment, which helped us build up a product portfolio that is able to achieve safety, reliability and outstanding performance, while improving production efficiency. We have the following R&D highlights:

- *WenDing ("問頂") technology*. In August 2022, we launched prismatic batteries that utilized our WenDing ("問頂") technology, such technology can be applied to LFP battery products as well as ternary lithium battery products to achieve strong performance.

- *Easy-for-Tera cells ("ET電芯")*. Our Easy-for-Tera cells ("ET電芯") are flat batteries adopting high-speed winding, cutting or stacking integration technology, which improves the efficiency of the production process and battery performance.

- *Versatile power station*. Our versatile power station can be used in various use cases such as electrical energy storage, vehicle charging and utility power backup.

- *Semi-solid prismatic batteries*. We have delivered prototypes of semi-solid prismatic batteries to a luxury vehicle company in Europe, with whom we are conducting battery performance tests.

- *Sodium-ion battery.* We are in the process of developing sodium-ion batteries. Such batteries are likely to reduce the cost of ESS batteries.

For more details on our R&D, please refer to "Business – Research and Development" in this document.

OUR EXISTING PRODUCTION FACILITIES

We currently have production facilities at Wenzhou, Zhejiang Province and Jiashan, Zhejiang Province. Our production lines are designed to be compatible with the production of different battery products. With some alterations, our EV battery production lines can be used for the manufacture of ESS battery products with similar specifications and vice versa. Our designed annual production capacity reached 35.2GWh as of December 31, 2022. We have also been able to shorten the period we need to reach optimal production utilization rate at a new production line since our inception.

OUR SUPPLIERS

Our suppliers are primarily raw material providers. We carefully select our suppliers and require them to satisfy various assessment criteria. We only procure raw materials from the suppliers listed on our qualified supplier catalog. All potential suppliers must pass our internal supplier admission standard before entering into our qualified supplier catalog. We consider several factors in the selection of suppliers, including but not limited to the potential supplier's material performance, supplies quality, prices offered, years of operation and quality control accreditations. Potential key raw materials suppliers are subject to onsite inspection conducted by us in order to evaluate their production processes, quality-control, and ESG related performance indicator including carbon emission and pollution management. We also carry out regular on-site audits and audits of qualified suppliers each year.

In each of 2020, 2021 and 2022, purchases from our largest supplier for the respective periods accounted for 9.7%, 8.4% and 9.1% of our total amount of purchase, respectively, while our five largest suppliers for the same periods accounted for 36.8%, 33.2% and 30.3% of our total amount of purchase, respectively. We believe that we have a good cooperation relationship with our key suppliers.

For more details on our suppliers, please refer to "Business – Raw Materials, Components and Suppliers" in this document.

OUR COMPETITIVE STRENGTHS

Our competitive strengths include:

- Fast growing battery manufacturer in a booming industry
- Strong R&D capabilities
- High-quality and diverse customer base
- Long-term, stable and cost-effective supply chain
- Strong mass production capability
- Experienced and dedicated team with entrepreneurial spirit and rich industry experience
- Commitment to green and sustainable development with high ESG standard

OUR DEVELOPMENT STRATEGIES

Our development strategies include:

- Further our dual-focus on EV and ESS batteries
- Devote to R&D and innovation
- Expand our production capacity steadily and orderly according to market demand while pursuing cost leadership
- Ensure stable and cost-effective supply of raw materials
- Promote green and sustainable development with high ESG standards

COMPETITION

According to the F&S Report, the EV battery market is highly concentrated in China, with top five EV battery manufacturers accounting for approximately 85.3% of total EV battery installation volume in China in 2022. ESS market is still at the initial stage of development. According to the F&S Report, the top five China-based ESS battery manufacturers accounted for approximately 61.3% of the global total ESS battery installation volume in 2022.

RESULTS OF OPERATIONS

The table below summarizes our results of operations with selected items of our consolidated statement of profit or loss and as percentages of our total revenue for the years indicated.

	Year Ended December 31,					
	2020		2021		2022	
	(in RMB thousands, except for percentages)					
Revenue	906,986	100.0%	2,109,144	100.0%	14,647,778	100.0%
Cost of sales	(795,888)	(87.8)%	(2,434,024)	(115.4)%	(13,559,490)	(92.6)%
Gross profit/(loss)	111,098	12.2%	(324,880)	(15.4)%	1,088,288	7.4%
Selling and distribution expenses	(34,036)	(3.8)%	(72,346)	(3.4)%	(320,795)	(2.2)%
Administrative expenses	(34,007)	(3.7)%	(160,612)	(7.6)%	(346,787)	(2.4)%
R&D expenses	(72,716)	(8.0)%	(245,558)	(11.6)%	(767,685)	(5.2)%
Loss before tax	(53,279)	(5.9)%	(804,209)	(38.1)%	(450,798)	(3.1)%
Loss for the year	(53,279)	(5.9)%	(804,209)	(38.1)%	(450,823)	(3.1)%
Attributable to:						
Owners of the parent	(40,843)	(4.5)%	(717,227)	(34.0)%	(354,121)	(2.4)%
Non-controlling interests	(12,436)	(1.4)%	(86,982)	(4.1)%	(96,702)	(0.7)%

Non-IFRS Measure

To supplement our consolidated statements of profit or loss that are presented in accordance with IFRS, we also use adjusted 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 comparisons 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 adjusted EBITDA (non-IFRS measure) may not be comparable to similar item 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 consolidated statements of profit or loss or financial condition as reported under IFRS.

We define adjusted EBITDA (non-IFRS measure) as (loss)/profit for the year adding back income tax expenses, financial cost, depreciation and amortization and share incentive expense, and deducting interest income. The share incentive expense is non-cash equity-settled employee related expense arising from grant of share incentive awards.

	Year Ended December 31,		
	2020	**2021**	**2022**
	(in RMB thousands, except for percentages)		
Loss for the year	(53,279)	(804,209)	(450,823)
Income tax expenses	–	–	25
Finance cost	22,775	32,659	188,925
Interest income	(2,523)	(9,211)	(96,071)
Depreciation and amortization	89,441	166,371	514,280
Share incentive expense	–	42,608	133,637
Adjusted EBITDA (non-IFRS measure)	**56,414**	**(571,782)**	**289,973**
Adjusted EBITDA margin (non-IFRS measure)	6.2%	(27.1)%	2.0%

We recorded negative adjusted EBITDA (non-IFRS measures) of RMB571.8 million in 2021, primarily attributable to our gross loss and operating expenses in 2021. We managed to record positive adjusted EBITDA (non-IFRS measures) of RMB290.0 million in 2022. Such change was primarily because we managed to turn gross loss into gross profit in 2022.

Our revenue increased significantly from RMB907.0 million in 2020 to RMB2,109.1 million in 2021, and further to RMB14,647.8 million in 2022. Such strong increase was primarily due to (i) the rapid development of both EV and ESS industry in PRC and globally, (ii) our continuous efforts to expand our customer base, (iii) the rapid expansion of our production capacity, and (iv) our adjustment of prices of both of our EV and ESS battery products in response to the rapid increase of raw material prices.

We recorded gross profit of RMB111.1 million in 2020 with a gross profit margin of 12.2%, while it turned into gross loss of RMB324.9 million in 2021 with a negative gross profit margin of 15.4%. Such change was primarily due to (i) a rapid increase in purchase price of raw materials in 2021, and (b) the fact that we were not able to timely adjust our selling prices of EV and ESS battery products in response to the rapid increase in purchase prices of raw materials. We managed to turn the gross loss in 2021 into gross profit of RMB1,088.3 million with a gross profit margin of 7.4% in 2022, primarily due to (i) our adjustment of prices of both of our EV and ESS battery products in response to the rapid increase of raw material prices, which was also in line with the prevailing market trends according to the F&S Report, (ii) our further improved production efficiency, and (iii) our improved product offering.

Our loss for the year increased from RMB53.3 million with negative net profit margin of 5.9% in 2020 to RMB804.2 million with negative net profit margin of 38.1%, primarily due to the facts that (i) our gross profit turned into gross loss of RMB324.9 million in 2021, and (ii) an increase in operating expenses attributable to the overall growth of our business. Our loss for the year decreased from RMB804.2 million in 2021 with negative net profit margin of 38.1% to RMB450.8 million in 2022 with negative net profit margin of 3.1%, primarily due to the facts that (i) we managed to turn our gross loss of RMB324.9 million in 2021 into gross profit of RMB1,088.3 million in 2021, and (ii) a decrease in operating expenses as a percentage of our total revenue in 2022 as compared to that in 2021.

See "Financial Information – Principal Components of Statement of Profit or Loss and Other Comprehensive Income – Gross Profit/(Loss) and Gross Profit Margin" and "– Period-to-Period Comparison of Results of Operations."

Revenue by Product – Usage

	Year Ended December 31,					
	2020		2021		2022	
	(in RMB thousands, except for percentages)					
EV battery products	673,192	74.2%	981,507	46.5%	4,642,801	31.7%
ESS battery products	182,105	20.1%	859,459	40.7%	8,400,597	57.4%
Other businesses						
Sales of wastes[(1)]	43,744	4.8%	251,167	11.9%	796,789	5.4%
R&D services[(2)]	6,299	0.7%	7,188	0.4%	22,308	0.2%
Others[(3)]	1,646	0.2%	9,823	0.5%	785,283	5.3%
Subtotal	51,689	5.7%	268,178	12.8%	1,604,380	10.9%
Total	**906,986**	**100.0%**	**2,109,144**	**100.0%**	**14,647,778**	**100.0%**

Notes:

(1) The sales of wastes mainly includes revenue from sales of used raw materials, such as the low concentration crude NMP. See "Business – Marketing, Sales and Customers – Our Customers." Starting in July 2022, instead of selling crude NMP, we consigned third-party companies to process the crude NMP, and thus no revenue was recognized from the sales of crude NMP from then on. Under the new arrangement, the processing fees of the crude NMP were included in inventories and recorded as our cost of sales when relevant battery products are sold. Therefore, as the revenue from sales of crude NMP as wastes constituted a substantial majority of the revenue from sales of wastes before adopting the new arrangement, we expect the revenue contribution from sales of wastes as a percentage of our total revenue to decrease significantly going forward.

(2) The revenue from provision of R&D services refers to charges on the customers for the upfront R&D services for the purpose of developing customized battery products.

(3) Others mainly include revenue from sales of battery components.

During the Track Record Period, revenue from sales of both EV and ESS battery products increased rapidly. In 2020, as some of our EV battery products passed the verification processes required by our EV manufacturer customers, we allocated our increased production capacity to satisfy the booming demand from such EV manufacturers, which resulted in a larger revenue contribution from our EV battery products as compared with that of our ESS battery products. In 2021, as part of our dual-focus strategy, we increased our sales to ESS manufacturer customers to pursue the growth potential, and thus the revenue contribution from sales of ESS battery products increased to a level similar to sales of EV battery products. In 2022, as a result of the continuous expansion of our production capacity and customer bases, the sales of both of our EV and ESS battery products increased significantly as compared with those in 2021. In particular, the sales of our ESS battery products surpassed the sales of our EV battery products in 2022, primarily due to (i) our further expansion of effective production capacity by 476.8% from 4.2GWh in 2021 to 24.5GWh in 2022, (ii) our allocation of more increased production capacity to our ESS battery products to meet the increasing downstream demands for our ESS battery products, and (iii) the strong demands for our ESS battery products for both household and commercial industrial applications. The revenue from others increased significantly from RMB9.8 million to RMB785.3 million in 2022, primarily due to a significant increase in sales of battery components since the second half of 2022. See "Financial Information – Period-to-Period Comparison of Results of Operations."

Our other businesses mainly include sales of wastes, sales of battery components and R&D services. We sold wastes such as low concentration crude NMP which was produced during the production of our lithium-ion battery products during the Track Record Period. We provide R&D services to our customers for product development, the scope of which primarily entails customizing our battery products to meet the specification requirement for relevant EV models.

Revenue by Product – Battery Type

	Year Ended December 31,					
	2020		2021		2022	
	(in RMB thousands, except for percentages)					
LFP battery products	705,148	77.7%	1,739,022	82.5%	12,621,477	86.2%
Ternary lithium battery products	150,149	16.6%	101,944	4.8%	421,921	2.9%
Other businesses	51,689	5.7%	268,178	12.7%	1,604,380	10.9%
Total	**906,986**	**100.0%**	**2,109,144**	**100.0%**	**14,647,778**	**100.0%**

During the Track Record Period, we generated a substantial majority of revenue from sales of LFP battery products. The exponential growth of revenue from our LFP battery products during the Track Record Period was mainly attributable to (i) our increased sales volume of ESS battery products, all of which were LFP battery products, and (ii) the preference of LFP battery products of our EV manufacturer customers due to the lower cost and higher battery safety of LFP battery products. See "Financial Information – Principal Components of Statement of Profit or Loss and Other Comprehensive Income – Revenue – Revenue by Product – Battery Type".

Revenue by Region

	Year Ended December 31,					
	2020		2021		2022	
	(in RMB thousands, except for percentages)					
PRC[(1)]	904,476	99.7%	2,091,700	99.2%	14,480,096	98.8%
Overseas[(1)(2)]	2,510	0.3%	17,444	0.8%	167,682	1.2%
Total	**906,986**	**100.0%**	**2,109,144**	**100.0%**	**14,647,778**	**100.0%**

Notes:

(1) Based on the location of our customer who signed the sales and purchase agreements with us. Some of our PRC customers are ESS system integrators that export their products integrating our battery products to overseas end users.

(2) Mainly include Indonesia, Australia, Morocco, Turkey, India and Belgium.

Sales Volume and Average Selling Price of Battery Products

	Year Ended December 31,					
	2020		2021		2022	
	Sales volume	Average selling price	Sales volume	Average selling price	Sales volume	Average selling price
	(GWh)	*(RMB/Wh)*	*(GWh)*	*(RMB/Wh)*	*(GWh)*	*(RMB/Wh)*
Product type – Usage						
EV battery products	1.24	0.54	1.87	0.52	6.13	0.76
ESS battery products	0.31	0.59	1.43	0.60	10.48	0.80
Total	**1.55**	**0.55**	**3.30**	**0.56**	**16.61**	**0.79**

	Year Ended December 31,					
	2020		2021		2022	
	Sales volume	Average selling price	Sales volume	Average selling price	Sales volume	Average selling price
	(GWh)	*(RMB/Wh)*	*(GWh)*	*(RMB/Wh)*	*(GWh)*	*(RMB/Wh)*
Product type – Battery type						
LFP battery products	1.35	0.52	3.14	0.55	16.13	0.78
Ternary lithium battery products	0.20	0.75	0.16	0.64	0.48	0.88
Total	**1.55**	**0.55**	**3.30**	**0.56**	**16.61**	**0.79**
Location of customer						
PRC	1.55	0.55	3.29	0.55	16.46	0.78
Overseas	0.00	0.99	0.01	1.08	0.15	1.08
Total	**1.55**	**0.55**	**3.30**	**0.56**	**16.61**	**0.79**

Cost of Sales

	Year Ended December 31,					
	2020		2021		2022	
	(in RMB thousands, except for percentages)					
Cost of Sales for Battery Products						
Raw material costs	537,106	67.5%	1,662,019	68.3%	10,835,792	79.9%
Manufacturing costs	139,676	17.6%	318,550	13.0%	830,035	6.1%
Direct labor costs	71,224	8.9%	174,614	7.2%	499,924	3.7%
Cost of Sales for Other Businesses						
Other costs	47,882	6.0%	278,841	11.5%	1,393,739	10.3%
Total	**795,888**	**100.0%**	**2,434,024**	**100.0%**	**13,559,490**	**100.0%**

Raw materials costs remained as the largest component of our cost of sales throughout the Track Record Period. Manufacturing costs and direct labor costs as a percentage of our total costs of sales decreased throughout the Track Record Period primarily due to (i) the increase in raw materials costs as a result of the increase in purchase price of raw materials, and (ii) the improvement of production efficiency and economies of scale. Our other costs increased in absolute terms during the Track Record Period, primarily due to (i) our increased sales of wastes which was in line with our increased production volume of battery products, and (ii) a significant increase in sales of battery components in the second half of 2022. See "Financial Information – Principal Components of Statement of Profit or Loss and Other Comprehensive Income – Cost of Sales", and "Financial Information – Period-to-Period Comparison of Results of Operations."

Gross Profit/(Loss) and Gross Profit Margin by Product – Usage

	Year Ended December 31,					
	2020		2021		2022	
	Gross Profit/(loss)	Gross Profit Margin	Gross Profit/(loss)	Gross Profit Margin	Gross Profit/(loss)	Gross Profit Margin
	(in RMB thousands, except for percentages)					
EV battery products	130,434	19.4%	(103,289)	(10.5)%	146,207	3.1%
ESS battery products	(23,143)	(12.7)%	(210,928)	(24.5)%	731,441	8.7%
Other businesses	3,807	7.4%	(10,663)	(4.0)%	210,640	13.1%
Total	**111,098**	**12.2%**	**(324,880)**	**(15.4)%**	**1,088,288**	**7.4%**

During the Track Record Period, we recorded gross profit for our EV battery products in 2020 and 2022. We managed to turn the gross loss of our ESS battery products into a gross profit in 2022, primarily attributable to (i) our adjustment of prices of our ESS battery products in response to the rapid increase of raw material prices, which was also in line with the prevailing market trends according to the F&S Report, (ii) our further improved production efficiency, and (iii) our improved product offering. See "Financial Information – Principal Components of Statement of Profit or Loss and Other Comprehensive Income – Gross Profit/(Loss) and Gross Profit Margin – Gross Profit/(Loss) and Gross Profit Margin by Product – Usage."

Gross Profit/(Loss) and Gross Profit Margin by Product – Battery Type

	Year Ended December 31,					
	2020		2021		2022	
	Gross Profit/(loss)	Gross Profit Margin	Gross Profit/(loss)	Gross Profit Margin	Gross Profit/(loss)	Gross Profit Margin
	(in RMB thousands, except for percentages)					
LFP battery product	96,286	13.7%	(280,103)	(16.1)%	837,446	6.6%
Ternary lithium battery products	11,005	7.3%	(34,114)	(33.5)%	40,202	9.5%
Other businesses	3,807	7.4%	(10,663)	(4.0)%	210,640	13.1%
Total	**111,098**	**12.2%**	**(324,880)**	**(15.4)%**	**1,088,288**	**7.4%**

During the Track Record Period, the gross profit or loss from the sales of our LFP battery products was primarily affected by (i) the fluctuation in purchase prices of raw materials, (ii) the release of the benefit of economies of scale as the result of our expansion of production capacity, (iii) the prevailing industry trend, and (iv) product mix, particularly in different battery capacity. The gross profit or loss from the sales of our ternary lithium battery products experienced stronger fluctuation during the Track Record Period, primarily due to (i) the relatively small production volume of our ternary lithium battery products as a result of the then limited production capacity and we were yet to form economies of scale, and (ii) the strong fluctuation in purchase prices of cathode materials of ternary lithium battery products. See "Financial Information – Principal Components of Statement of Profit or Loss and Other Comprehensive Income – Gross Profit/(Loss) and Gross Profit Margin – Gross Profit/(Loss) and Gross Profit Margin by Product – Battery Type."

Gross Profit/(Loss) and Gross Profit Margin by Region

	Year Ended December 31,					
	2020		2021		2022	
	Gross Profit/(loss)	Gross Profit Margin	Gross Profit/(loss)	Gross Profit Margin	Gross Profit/(loss)	Gross Profit Margin
	(in RMB thousands, except for percentages)					
PRC	109,805	12.1%	(333,607)	(15.9)%	1,071,086	7.4%
Overseas	1,293	51.5%	8,727	50.0%	17,202	10.3%
Total	**111,098**	**12.2%**	**(324,880)**	**(15.4%)**	**1,088,288**	**7.4%**

During the Track Record Period, sales to overseas customers were more profitable than sales to domestic customers primarily because the products we sold to overseas were mainly customized ESS battery packs that commanded higher selling prices and resulted in a higher gross profit margin. In 2022, the gross profit margin for the sales to overseas decreased from 51.5% in 2020 and 50.0% in 2021 to 10.3% in 2022, primarily because (i) the competitive prices we offered to our overseas customers in 2022 due to the increasing competition in overseas markets and in consideration of obtaining more market share, and (ii) the rapid increase in raw material prices in 2022. See "Financial Information – Principal Components of Statement of Profit or Loss and Other Comprehensive Income – Gross Profit/(Loss) and Gross Profit Margin – Gross Profit/(Loss) and Gross Profit Margin by Region."

Business Sustainability

We were established in 2017. Since our inception, we have achieved significant growth. Our total revenue increased significantly from RMB907.0 million in 2020 to RMB2,109.1 million in 2021, and further to RMB14,647.8 million in 2022, representing a CAGR of 301.9%. We sold 1.55GWh, 3.30GWh and 16.61GWh of our battery products in 2020, 2021 and 2022, respectively, representing a CAGR of 227.4%.

Despite our growth in revenue, we are not yet profitable during the Track Record Period. We have incurred gross losses and net losses during the Track Record Period. In 2020, 2021 and 2022, we recorded gross profit of RMB111.1 million, and gross losses of RMB324.9 million and gross profit of RMB1,088.3 million, respectively. During the same periods, we recorded net losses of RMB53.3 million, RMB804.2 million and RMB450.8 million, respectively. We recorded a net loss in 2022, primarily as our ESS battery products were sold at a loss in the first half of 2022, which offset part of the gross profit from the sale of both EV and ESS battery products in the second half of 2022, as well as the various operating expenses we incurred. See "Business – Business Sustainability."

Our losses during the Track Record Period were primarily attributable to (i) low utilization rate resulting from production capacity expansion, (ii) raw material prices fluctuation, (iii) product mix and pricing strategy and (iv) operational expenditure.

We believe that we will be able to become profitable through (i) improving production efficiency, (ii) strengthening resilience to raw material cost fluctuations, (iii) increasing sales revenue and (iv) forming economies of scale.

See "Business – Business Sustainability" for further details.

Key Regulatory Developments and Industry Updates

Considering the automobile industry's significant contribution to global carbon emissions, the significant increase in global EV sales in 2022 was a success of the global decarbonization process. Furthermore, international conferences such as the COP27 2022, the UN climate change conference suggest that the EV market growth is not likely to be a one-off phenomenon. The continuation of global EV adoption in the future is expected to positively affect the Group's business operations and outlook.

In terms of EV market in China, the PRC government published the *Announcement on the Continuation of the Vehicle Purchase Tax Exemption Policy for New Energy Vehicles* on September 2022, which means the tax relief on EV purchases will continue to be in effect, driving the growth of the EV market, and in turn the outlook of the Group. On the other hand, the termination of EV subsidy on December 31, 2022 is expected to have an adverse effect on the market outlook. However, the impact from the termination of EV subsidy is not expected to be substantial, considering (i) the high growth of EV market in China during the subsidy decline period over the last two years with total sales volume of EVs of approximately 6.6 million in 2021 increasing to 11.0 million in 2022, (ii) the maturity of the overall EV markets in China with more advanced manufacturing technology, expansion of production scale, intensified competition among EV manufacturers which could lead to the overall decrease in costs of EVs to mitigate the impact of termination of subsidy, (iii) the high consumer demand, and (iv) the overall supportive policies in favor of the development of EVs in China despite the decline and termination of subsidies.

In terms of ESS market, authorities in China published policies such as *Guidance on Promoting the Development of Energy Electronics Industry* and *The Implementation Plan on Promoting the High-Quality Development of New Energy in the New Era* which encouraged the development of clean energy projects, ESS batteries and relevant technologies. Since 2016, the U.S. government have extended the investment tax credit for both grid-scale and residential ESS. In May 2022, the European Commission presented the REPowerEU Plan to deal with the global energy market disruption caused by the Russian- Ukrainian War. It also recognized that energy storage played a key role in ensuring security of supply and supporting renewables integration, reducing the need for pollutant gas power plants. Recently the energy crisis caused by the Russian-Ukrainian War has significantly raised the electricity prices in Europe and has also enhanced the market demand for household energy storage in Europe. Driven by the favorable policy environment, the global ESS battery market is emerging with vast growth potential. Such favorable policies are expected to bring more opportunities to the ESS market and will hence have a positive impact on our business outlook and financial performance.

In terms of raw materials, the military conflict between Ukraine and Russia had a negative impact on the purchase price of nickel. However, such impact had limited effect on us as the majority of our battery products are LFP batteries which do not use nickel as its raw materials. During the Track Record Period and up to the Latest Practicable Date, we have 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.

See "Industry Overview" for further details.

FINANCIAL POSITION

Set forth below is a summary of our historical statement of financial position.

	As of December 31,		
	2020	2021	2022
	(in RMB thousands)		
Non-current assets	1,500,213	5,150,963	10,002,704
Current assets	1,154,994	3,873,676	16,438,699
Total assets	2,655,207	9,024,639	26,441,403
Current liabilities	2,122,156	6,430,044	10,399,482
Net current assets/(liabilities)	(967,162)	(2,556,368)	6,039,217
Non-current liabilities	203,938	351,715	4,590,348
Net assets	329,113	2,242,880	11,451,573
Non-controlling interests	100,761	213,889	702,626

Our net current liabilities increased from RMB967.2 million as of December 31, 2020, to RMB2,556.4 million as of December 31, 2021 primarily due to (i) an increase in trade and bills payables mainly attributable to our increased procurement of raw materials in line with our increased production capacity, and (ii) an increase in amount due to related parties mainly including the loans and related interests due to related parties mainly used for our expansion plans. Our net current liabilities of RMB2,556.4 million as of December 31, 2021 turned into net current assets of RMB6,039.2 million as of December 31, 2022, primarily due to (i) an increase in net current asset, including (a) an increase in inventories, (b) an increase in trade and bills receivables, (c) an increase in due from related parties, (d) an increase in restricted cash, and (e) an increase in cash and cash equivalent mainly as a result of the [**REDACTED**] Investment; and (ii) a decrease in amounts due to related parties. See "Financial Information – Liquidity and Capital Resources – Net Current Assets/Liabilities" and "– Indebtedness – Loans and Related Interests Due to Related Parties."

Our net assets increased from RMB329.1 million as of December 31, 2020 to RMB2,242.9 million as of December 31, 2021, primarily due to (i) the contribution from shareholders of RMB2,615.0 million, and (ii) the contribution from non-controlling interests of RMB243.9 million, which was partially offset by the loss for the year of RMB804.2 million. Our net assets increased from RMB2,242.9 million as of December 31, 2021 to RMB11,451.6 million as of December 31, 2022, primarily due to (i) the contribution from shareholders of RMB8,940.8 million, and (ii) the contribution from non-controlling interests of RMB588.0 million, which was partially offset by the loss for the year of RMB450.8 million. See "Consolidated Statements of Change of Equity" in Accountants' Report in Appendix I to this document.

CASH FLOWS

The table below sets forth our cash flows for the periods indicated.

	Year Ended December 31,		
	2020	**2021**	**2022**
	(in RMB thousands)		
Net cash flows generated from/(used in) operating activities	176,548	(1,957,294)	(2,230,473)
Net cash flows used in investing activities	(689,374)	(2,920,950)	(3,981,731)
Net cash generated from financing activities	631,197	5,307,490	10,531,636
Net increase in cash and cash equivalents	118,371	429,246	4,319,432
Net foreign exchange difference	(2,005)	4,831	1,123
Cash and cash equivalents at beginning of the year	30,064	146,430	580,507
Cash and cash equivalents at end of the year	146,430	580,507	4,901,062

Our net operating cash outflows in 2021 and 2022 were primarily attributable to our net losses for the respective periods as well as significant increases in various working capital balances as our scale of operations grew, including trade and bills receivables, inventory and restricted cash, partially offset by significant increases in trade and bill payables.

For a more detailed cash flow analysis, please see "Financial Information – Cash Flows."

KEY FINANCIAL RATIOS

	Year Ended/As of December 31,		
	2020	2021	2022
Return on assets[(1)]	(2.0)%	(8.9)%	(1.7)%
Return on equity[(2)]	(16.2)%	(35.9)%	(3.9)%
Gearing ratio[(3)]	293.0%	142.5%	40.9%
Current ratio[(4)]	0.5	0.6	1.6
Quick ratio[(5)]	0.4	0.5	1.3

Notes:

(1) Return on assets is calculated based on the total profit/(loss) for the relevant year divided by the ending balance of total assets and multiplied by 100%.

(2) Return on equity is calculated based on the total profit/(loss) for the relevant year divided by the ending balance of total equity and multiplied by 100%.

(3) Gearing ratio is calculated based on the interest-bearing bank borrowings, lease liabilities and loans and related interests due to related parties divided by the ending balance of total equity and multiplied by 100%.

(4) Current ratio is calculated based on the total current assets divided by the total current liabilities as at the end of the respective year.

(5) Quick ratio is calculated as total current assets less inventories divided by the total current liabilities as at the end of the respective year.

Our gearing ratio decreased from 293.0% as of December 31, 2020 to 142.5% as of December 31, 2021, and further decreased to 40.9% as of December 31, 2022. See "Financial Information – Key Financial Ratios – Gearing Ratio."

Our current ratio increased from 0.5 as of December 31, 2020 to 0.6 as of December 31, 2021, which further increased to 1.6 as of December 31, 2022. See "Financial Information – Key Financial Ratios – Current Ratio."

Our quick ratio increased from 0.4 as of December 31, 2020 to 0.5 as of December 31, 2021, and further to 1.3 as of December 31, 2022. See "Financial Information – Key Financial Ratios – Quick Ratio."

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, Yongqing Technology was interested in approximately 62.6% of the total issued Shares, comprising approximately 50.4% direct interest and approximately 12.2% indirect interest through Wenzhou Jingli, whose general partner is Ruitu Energy, a wholly-owned subsidiary of Yongqing Technology. Yongqing Technology is owned by Tsingshan Group as to 51% of its equity interests, and Tsingshan Group is ultimately controlled by Mr. Xiang directly and indirectly through Shanghai Decent and Zhejiang Tsingshan as to 57.5% of its equity interests. See "History and Development" for the corporate structure of the Group.

Immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), Yongqing Technology will hold approximately [**REDACTED**]% of the total issued Shares, comprising approximately [**REDACTED**]% direct interest and approximately [**REDACTED**]% indirect interest through Wenzhou Jingli. Mr. Xiang, through Tsingshan Group, which is a 51% shareholder of Yongqing Technology, will control the exercise of the approximately [**REDACTED**]% voting rights in the Company. Accordingly, Mr. Xiang, Zhejiang Tsingshan, Shanghai Decent, Tsingshan Group, Yongqing Technology, Ruitu Energy and Wenzhou Jingli will continue to be a group of Controlling Shareholders immediately upon the [**REDACTED**].

For more details, please refer to "Relationship with the Controlling Shareholders" in this document.

CONTINUING CONNECTED TRANSACTIONS

Following the [**REDACTED**], 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" of this document for details.

OUR [REDACTED] 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 [**REDACTED**] Investors to our Group. Please see "History and Development – [**REDACTED**] Investments" of this document for details. Our [**REDACTED**] 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 [**REDACTED**] Investors, please see "History and Development – [**REDACTED**] Investments – Background of the [**REDACTED**] Investors."

USE OF [REDACTED]

We estimate that we will receive net [**REDACTED**] from the [**REDACTED**] of approximately [**REDACTED**], after deducting [**REDACTED**], fees and estimated expenses payable by us in connection with the [**REDACTED**], assuming an [**REDACTED**] of [**REDACTED**] per Share, being the mid-point of the indicative [**REDACTED**] range stated in this document, and assuming no exercise of the [**REDACTED**].

We currently intend to apply these net [**REDACTED**] for the following intended purposes in the amounts set forth below:

Amount	Approximate % of total net [REDACTED]	Intended use
(in HK$ millions)		
[**REDACTED**]	[**REDACTED**]	Expansion of our production capacity. In particular, the construction of production facilities in Wenzhou, Foshan and Chongqing
[**REDACTED**]	[**REDACTED**]	R&D of core technologies for advanced lithium-ion batteries, advanced materials and advanced manufacturing processes
[**REDACTED**]	[**REDACTED**]	Working capital and general corporate purpose
	100.0%	

For a more detailed use of [**REDACTED**], please see "Future Plans and Use of [**REDACTED**]."

[**REDACTED**] EXPENSES

[**REDACTED**] expenses represent professional fees, [**REDACTED**] and fees incurred in connection with the [**REDACTED**] and the [**REDACTED**]. Our [**REDACTED**] expenses are estimated to be approximately [**REDACTED**] (including [**REDACTED**]) accounted for [**REDACTED**] of the gross [**REDACTED**] of the [**REDACTED**], assuming that an [**REDACTED**] of [**REDACTED**] per Share (being the mid-point of the [**REDACTED**] range stated in this document) and the [**REDACTED**] is not exercised, among which, approximately [**REDACTED**] is directly attributable to the issuance of Shares and will be charged to equity upon completion of the [**REDACTED**], and approximately [**REDACTED**] will be charged to our consolidated statement of comprehensive income. The [**REDACTED**] expenses we incurred in the Track Record Period and expect to incur would consist of approximately [**REDACTED**] expenses and fees (including [**REDACTED**], SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy), approximately [**REDACTED**] expenses and fees including fees for the Joint Sponsors, legal advisors and reporting accountant and approximately [**REDACTED**] other [**REDACTED**] fees and expenses. During the Track Record Period, we incurred [**REDACTED**] of [**REDACTED**] expenses, among which, [**REDACTED**] was included in deposits and other receivables and will be subsequently charged to our equity upon completion of the [**REDACTED**] and [**REDACTED**] was charged to our consolidated statement of comprehensive income.

The [**REDACTED**] expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate. Our Directors do not expect such [**REDACTED**] expenses to have a material adverse impact on our results of operation for the year ending December 31, 2023.

[**REDACTED**]

DIVIDEND

Since inception, we have not declared or paid any dividends on our shares. We do not have any present plan to declare or pay any dividends on our Shares in the foreseeable future.

Any future plan to pay dividends will be made at the discretion of our Board of Directors subject to approval of our Shareholders. Any declaration as well as the amount of such declaration and payment will be subject to our Articles of Association and the relevant laws. Even if we decide to pay dividends, the form, frequency and amount may be based on a number of factors, including our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the Board of Directors may deem relevant.

THE IMPACT OF COVID-19

The outbreak of COVID-19 pandemic has materially and adversely affected the global economy since the first quarter of 2020. In response, the PRC government and the governments of other countries have implemented numerous anti-pandemic measures, including travel bans and restrictions, quarantines, remote work arrangement and shutdowns. Particularly, the resurgence of COVID-19 pandemic due to the transmitted Omicron in the PRC in 2022 resulted in extended duration of aforementioned measures. However, after the new measures issued by the PRC government in late 2022 which aimed to ease the restrictive anti-pandemic measures taken before, substantially all of the cities in the PRC eased or lifted the restrictive measures in January 2023.

During the Track Record Period and up to the Latest Practicable Date, we did not experience temporary closure or shutdown of our offices or production facilities due to the COVID-19 pandemic. However, as a result of those restrictive and anti-pandemic measures implemented before in places where our operation, production and R&D located, the mobility of some of our employees was affected and some of our employees had to work remotely during their quarantine. In particular, during the outbreak of COVID-19 in Shanghai in the first half of 2022, the employees in our R&D department in Shanghai were required to work from home, which resulted in some delay of our R&D processes in certain projects. Such delay only had limited impact on our overall R&D progress, as we managed to catch up the progress very soon after our R&D employees resumed their normal R&D activities. In response, we implemented various precautionary measures and flexibly adjusted work arrangement of our employees in line with government guidelines and regulations, which ensured that we could maintain sufficient number of personnel at our office, production facilities and R&D centers to continue our daily operation, production and R&D activities. We have and will continue to closely track the health and wellness status of our employees by routinely check their temperature before they could enter into our offices and production facilities while the COVID-19 related restrictive and anti-pandemic measures are still in place. Moreover, the construction of ancillary infrastructures and site visits by our customers in some of our production facilities were affected as the result of COVID-19 pandemic prevention and control measures. However, as the new measures issued by the PRC government in late 2022, the construction and site visits in our production facilities that were affected before have already resumed.

As our raw materials suppliers scattered over the country, the production activities of some of them were affected, which in turn resulted in the delay or failure to deliver raw materials we ordered to us. However, such delay or failure to deliver raw materials to us did not materially affect our operation or production activities, because we actively contacted with our suppliers and strategically procured key raw materials in advance according to our production plan, and thus our inventories were sufficient to support our normal production activities to fulfill orders from our clients when abovementioned delay or failure to deliver raw materials occurred. During the Track Record Period and up to the Latest Practicable Date, our production activities have not encountered any material disruption, nor has our product delivery been materially affected.

Accordingly, our Directors believe that the outbreak of COVID-19 has not had, and will not have, any material adverse impact on the Group's business, financial condition or results of operations. However, there is no assurance that our operation or production activities will not be affected in the future due to the COVID-19 pandemic and relevant restrictive measures. See "Risk Factors – Risks Relating to Our Industry and Business – We face risks related to health epidemics, including the COVID-19 pandemic, which could have a material adverse effect on our business and results of operations." See "Financial Information – Significant Factors Affecting Our Results of Operations – The Impact of COVID-19."

RECENT DEVELOPMENTS

We continued to expand our production capacity. In particular,

- In February 2023, we entered into a strategic agreement with local government in Fuling District, Chongqing, to establish a production facility for battery cells and battery packs with a planned annual production capacity of 30GWh of battery cells. The implementation of such project is subject to further feasibility studies and relevant regulatory approval. Chongqing is of strategic importance to us because it has abundant energy resources, favorable government policies and vast potential for EV manufacturing and ESS projects.

- In March 2023, we entered into a strategic agreement with local government in Jiashan, Zhejiang, in relation to the construction of a production facility as phase III of Jiashan facility for lithium-ion battery products with a planned annual production capacity of 45GWh. The implementation of such project is subject to further feasibility studies and relevant regulatory approval. The construction of phase III of Jiashan facility will further expand our production capacity in Jiashan and enhance our presence.

In addition, as of the Latest Practicable Date, we have an R&D facility under construction in Jiashan with a planned annual production capacity of 2GWh. We have obtained land use rights for such facility in April 2023.

NO MATERIAL ADVERSE CHANGE

Our Directors confirmed that, as of the date of this document, there has been no material adverse change in our financial or trading position or prospects since December 31, 2022, and there has been no event since December 31, 2022 that would materially affect the information as set out in the Accountants' Report in Appendix I to this document.

SUMMARY OF MAJOR RISK FACTORS

Our major risk factors include:

- We have a limited operating history, making it difficult to evaluate our business prospects, and we may not be successful in expanding our operations or managing our growth.

- We recorded net losses in the past, and we have not been profitable yet.

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

- We may not be able to derive the desired benefits from our R&D efforts, which may negatively affect our competitiveness and profitability.

- We may not be able to increase our production capacity as planned, and even if our production expansion projects proceed as planned, we may not be able to increase our production output in a timely manner or at all as envisaged.

- We are exposed to price fluctuations of raw materials.

- We purchase certain key raw materials and components from third parties, and we may not be able to secure our supply of key raw materials in a stable and timely manner.

- We may be required to purchase certain amounts of raw materials under the long-term off-take agreements entered into with some of our raw material suppliers, which may exceed our production needs.

- We face competition in our business.

- We may fail to recover our trade and bills receivables in a timely manner, which may affect our financial condition and results of operations.